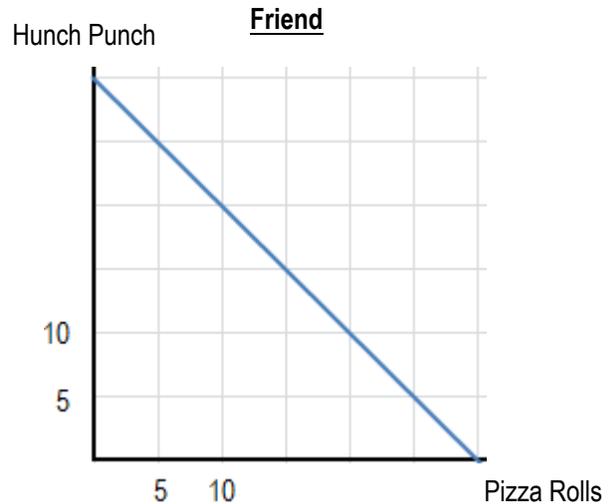
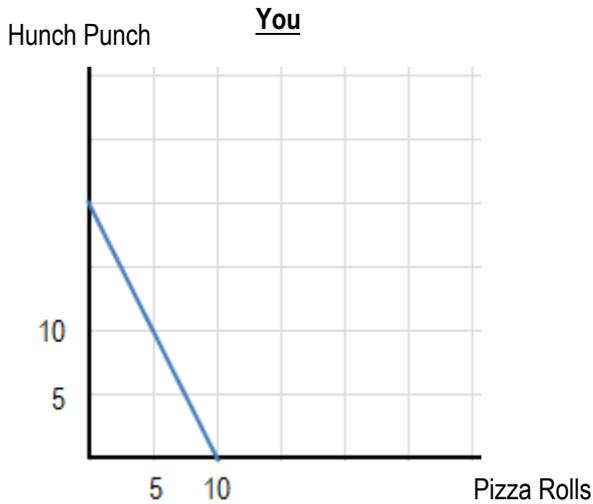


**CONCEPT: PPF – COMPARATIVE ADVANTAGE AND ABSOLUTE ADVANTAGE**

- Different individuals (i.e. people, firms, countries) have different PPFs.

**Note:**                      • Linear PPFs                      • Assumptions remain the same (two goods, fixed technology, fixed resources).



□ **Specialization** – producing the goods you are \_\_\_\_\_ at producing

- **Absolute Advantage** – producing more of a good with the \_\_\_\_\_ amount of resources

Pizza Rolls:

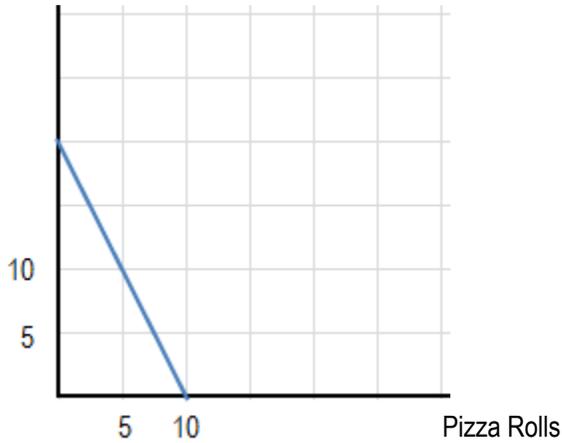
Hunch Punch:

- **Comparative Advantage** – producing a good at a \_\_\_\_\_ opportunity cost

**CONCEPT: PPF – COMPARATIVE ADVANTAGE AND ABSOLUTE ADVANTAGE**

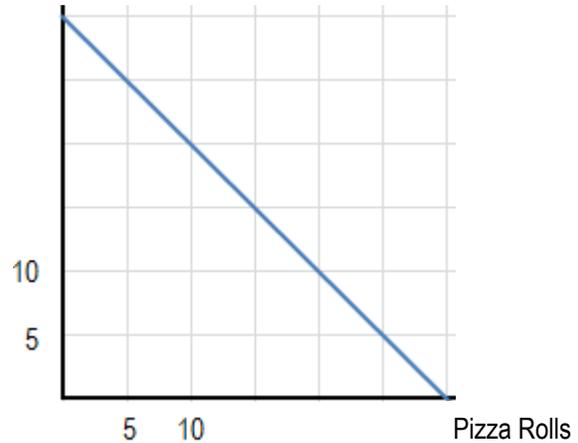
Hunch Punch

You



Hunch Punch

Friend



**Comparative Advantage** – producing a good at a \_\_\_\_\_ opportunity cost

Calculating Opportunity Cost using the PPF:

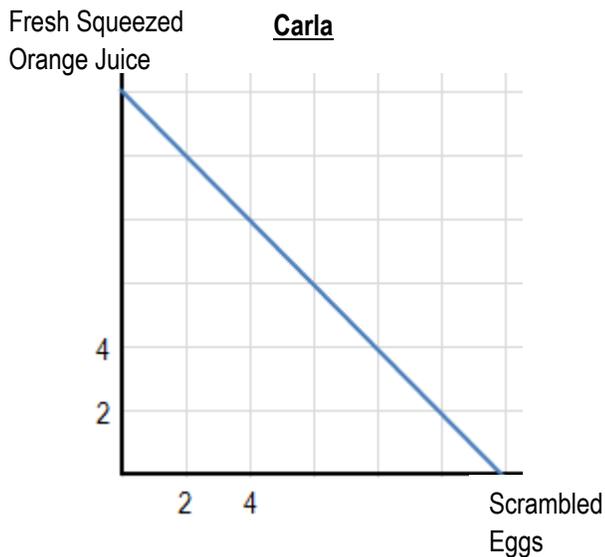
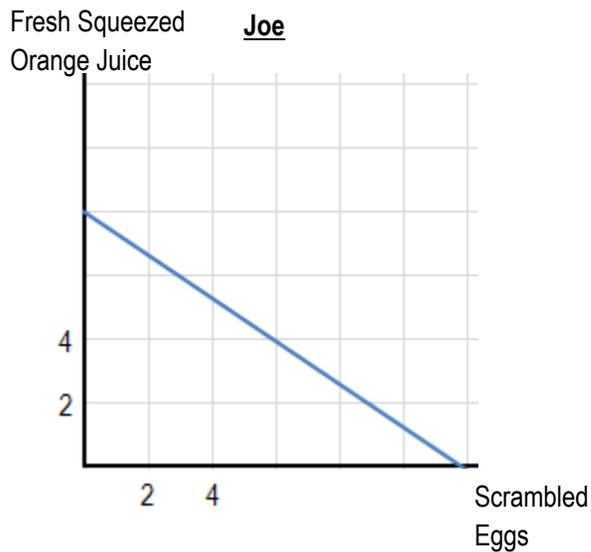
1. Choose an individual (You or Friend)
2. Identify the individual's maximum for each good (Max Pizza Rolls and Max Hunch Punch)
3. Use the following formula:

$$\text{Opportunity Cost of 1 Pizza Rolls} = \frac{\text{Max Hunch Punch}}{\text{Max Pizza Rolls}} \text{ for that person}$$

	Opportunity Cost of 1 Pizza Rolls	Opportunity Cost of 1 Hunch Punch
<b>You</b>		
<b>Friend</b>		

Comparative Advantage	

**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