

Subject: Economics

Topic: Law of Comparative Advantage and Gains from Trade

Sub-topic: Concept of Comparative Advantage

Level: S.5

Learning objectives:

1. Content:

Students should be able to

1. calculate a country's opportunity cost of producing a good;
2. compare the opportunity cost of production of the same good of the two countries;
3. tell the direction of specialization and trade of countries;

2. Language:

Students should be able to

1. state a country's opportunity cost of producing a good using the following sentence pattern:

*Country **A's** opportunity cost of producing 1 unit of good **X** is ____ units of good **Y**.*

2. compare the opportunity cost of production of the same good of the two countries and write a short paragraph to explain the direction of specialization and trade of a country using the following pattern:

*As Country **A's** opportunity cost of producing 1 unit of good **X** is lower than that of Country **B**, Country **A** has the comparative advantage in the production **of X**. Therefore, Country **A** should specialize in good **X** production and export good **X**.*

S.5 Economics
Law of Comparative Advantage and Gains from Trade
Concept of Comparative Advantage
Worksheet 1

Name:_____ Class:_____ No.:_____ Date:_____



Writing

Case I

The following table shows the output conditions of two countries, A and B, under autarky. The two goods produced are rice and computers.

Autarky table	Each unit of resources can produce		
	Rice (in units)		Computers (in units)
Country A	20	OR	10
Country B	12	OR	3

Which country should specialize in rice production and export rice? Use the opportunity cost table below to help you to arrive at a conclusion. Explain your answer in the paragraph frame given below the table.

Opportunity cost table	Opportunity cost of producing 1 unit of rice	Opportunity cost of producing 1 unit of computers
Country A	_____unit(s) of computer	
Country B		

Country A's opportunity cost of producing 1 unit of rice is _____.Country B's _____
_____.As Country B's opportunity cost of rice
production is _____ that of Country A, Country B has the comparative advantage in rice production.
Therefore, Country B should specialize in _____ and _____ rice.

Case II

The following table shows the output conditions of two countries, A and B, under autarky. The two goods produced are rice and computers.

Autarky table	Resources required in producing each unit of goods (in units)	
	Rice (in units)	Computers (in units)
Country A	20	10
Country B	12	3

Which country should specialize in rice production and export rice? Use the opportunity cost table to help you.
(Hint: Pay attention to the data given in the autarky table. Do they mean the same thing as in Case I?)

Opportunity cost table	Opportunity cost of producing 1 unit of rice	Opportunity cost of producing 1 unit of computers
Country A		
Country B		

Now, write a paragraph to explain your answer. Refer to the paragraph frame in Case I for help.

Country A's opportunity cost of producing 1 unit of rice _____

Case III

The following table shows the output conditions of two countries, A and B, under autarky. The two goods produced are rice and computers.

Autarky table	Each unit of resources can produce		
	Rice (in units)		Computers (in units)
Country A	40	OR	10
Country B	12	OR	3

Which country should specialize in rice production and export rice?
 (Hint: Pay attention to the data given in the autarky table. Do they mean the same thing as in Case I?)

Opportunity cost table		
Country A		
Country B		

Write a paragraph to explain your answer. Refer to your writing in Cases I and II for help. The following vocabulary items may also help you: *also, the same as, therefore, no*

