

Comparative advantage and trade: An in-class exercise

Name: _____

	Me	My Neighbor
(1) In what products or services do I have an <i>absolute advantage</i> * relative to my neighbor?		
(2) In what products or services do I have a <i>comparative advantage</i> ** relative to my neighbor?		
(3) Which of these products or services could I actually sell to my neighbor? What might prevent me from being able to do so in real life?		

Notes:

* *Absolute advantage* is defined here as a lower cost, in terms of the labor and other inputs needed to produce that thing.

** *Comparative advantage* is defined here as a lower cost, in terms of the alternative outputs I could produce instead.