

Chapter 3 Interdependence and the Gains from Trade

3–1 A Parable for the Modern Economy

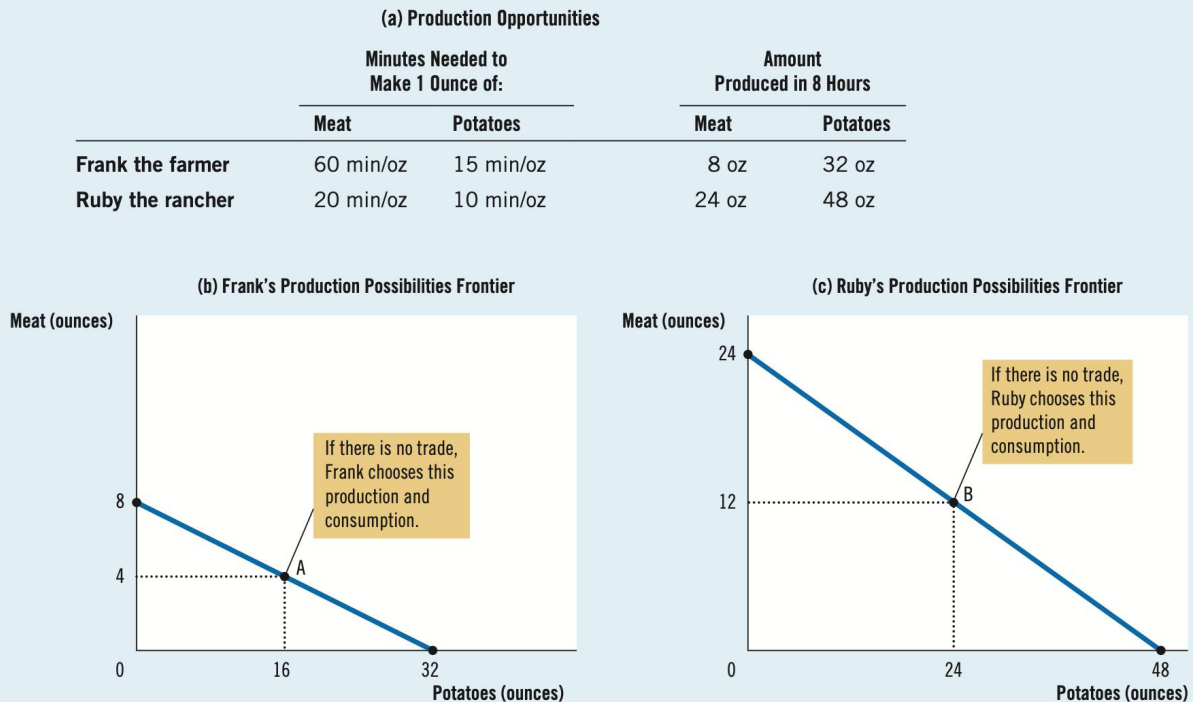
3–1a Production Possibilities

- Frank and Ruby Production Possibilities Frontier

Panel (a) shows the production opportunities available to Frank the farmer and Ruby the rancher. Panel (b) shows the combinations of meat and potatoes that Frank can produce. Panel (c) shows the combinations of meat and potatoes that Ruby can produce. Both production possibilities frontiers are derived assuming that Frank and Ruby each work 8 hours per day. If there is no trade, each person's production possibilities frontier is also his or her consumption possibilities frontier.

FIGURE 1

The Production Possibilities Frontier



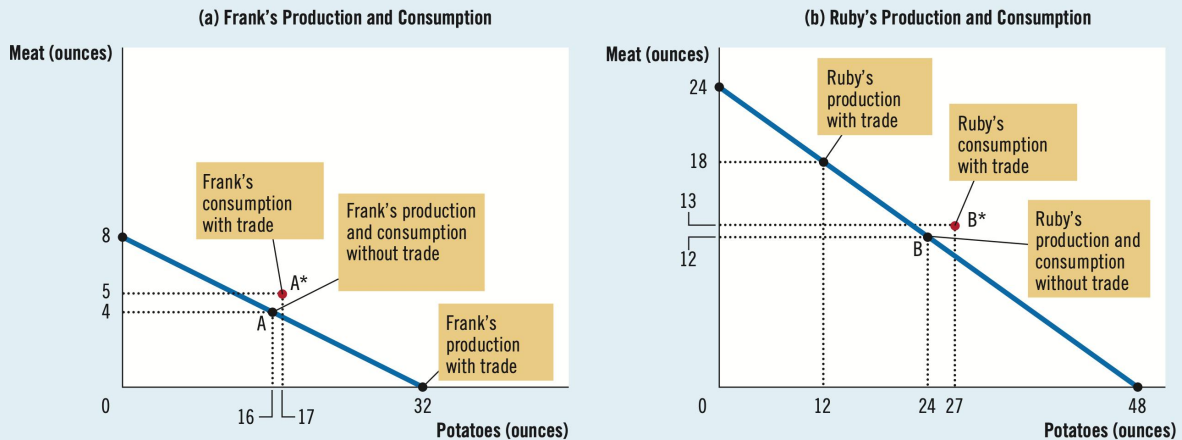
3–1b Specialization and Trade

- Frank and Ruby Production Possibilities Frontier with Trade

The proposed trade between Frank the farmer and Ruby the rancher offers each of them a combination of meat and potatoes that would be impossible in the absence of trade. In panel (a), Frank gets to consume at point A* rather than point A. In panel (b), Ruby gets to consume at point B* rather than point B. Trade allows each to consume more meat and more potatoes.

FIGURE 2

How Trade Expands the Set of Consumption Opportunities



(c) The Gains from Trade: A Summary

	Frank		Ruby	
	Meat	Potatoes	Meat	Potatoes
Without Trade:				
Production and Consumption	4 oz	16 oz	12 oz	24 oz
With Trade:				
Production	0 oz	32 oz	18 oz	12 oz
Trade	Gets 5 oz	Gives 15 oz	Gives 5 oz	Gets 15 oz
Consumption	5 oz	17 oz	13 oz	27 oz
GAINS FROM TRADE:				
Increase in Consumption	+1 oz	+1 oz	+1 oz	+3 oz

3–2 Comparative Advantage: The Driving Force of Specialization

3-2a Absolute Advantage

- 绝对优势（absolute advantage）：一个生产者用比另一个生产者更少的投入生产某种物品的能力

3-2b Opportunity Cost and Comparative Advantage

- 机会成本（opportunity cost）：为了得到某种东西所必须放弃的东西
- 比较优势（comparative advantage）：一个生产者以低于另一个生产者的机会成本生产某种物品的能力
- Frank and Ruby's Opportunity Cost:

	Opportunity Cost of:	
	1 oz of Meat	1 oz of Potatoes
Frank the farmer	4 oz potatoes	$\frac{1}{4}$ oz meat
Ruby the rancher	2 oz potatoes	$\frac{1}{2}$ oz meat

TABLE 1

The Opportunity Cost of Meat and Potatoes

3-2c Comparative Advantage and Trade

- 贸易可以使社会上的每个人都获益，因为它使人们可以专门从事他们具有比较优势的活动

3-2d The Price of the Trade

- One general rule: 对从贸易中获益的双方而言，他们进行贸易的价格在两种机会成本之间

3-3 Applications of Comparative Advantage

3-3a Should LeBron James Mow His Own Lawn?

3-3b Should the United States Trade with Other Countries?

- 进口品（imports）：在国外生产而在国内销售的物品
- 出口品（exports）：在国内生产而在国外销售的物品