Objectives for Chapter 2  

Comparative / Absolute Advantage  
1. Distinguish between absolute advantage and comparative advantage.  
2. Relate comparative advantage to the theory that individuals can gain from specialization and exchange.  
3. Determine whether an economy has a comparative or absolute advantage in production.  

Production Possibilities Frontier  
4. Interpret what is depicted on the graphical representation of the production possibilities frontier.  
5. Draw the production possibilities frontier and a shift in the frontier.  
6. Explain why the slope of the production possibilities frontier depicts the concept of opportunity cost.  
7. Identify ways in which economic growth may occur.