ABSOLUTE / COMPARATIVE ADVANTAGE

Task 1: Wash & Dry a sink full of dirty dishes
Task 2: Sweep up and take out three loads of trash from the garage.
…before going out with friends.

Lale and Levent's Capabilities

- Lale can wash two sink loads of dishes in one hour by herself.
- OR Lale can sweep up and take out three loads of trash by herself in one hour.

- Levent can wash one sink load of dishes in one hour by himself.
- OR Levent can sweep up one load of trash in one hour by himself.

	Household Chores (Output per hour)	
	Dishwashing (Number of sink loads)	Sweeping (Number of trash loads)
Lale	2	3
Levent	1	1

Q: How should Lale and Levent divide the work so they can go out with their friends as soon as possible?

Options

1. Parent's plan: Doing both jobs together.

2. Lale's plan: Lale does all the dish-washing; Lelvent does all the sweeping the garage (since she likes washing dishes better).

3. Levent's plan: Lale should do both all by herself since she is better than Levent for both tasks.

4. A friend's plan: Lale should sweep, Levent should wash dishes.

Let's fill in our worksheet.
Work with groups of 4 or less.

Absolute Advantage

■ The ability to produce more units of good or service than some other producer using the same quantity of resources.

Comparative Advantage

- The ability to produce a good or service at a lower opportunity cost than another producer.

  - Comparative Advantage is the economic basis for specialization and trade. If individuals and countries specialize in producing the goods in which they have the comparative advantage and trade for the goods in which others have the comparative advantage, both parties will be better off.

Let's calculate the opportunity costs.

	Lale		Levent	
	Dish	Sweep	Dish	Sweep
Output per hour	2	3	1	1
Time spent for one load of task	60/2 = 30 min (a)	60/3= 20 min (b)	60/1 = 60 min (c)	60/1 = 60 min (d)
Opportunity Cost per one load of task	(for 1 load of dish) 3/2 load of trash (e)	(for 1 load of trash) 2/3 load of dish (f)	(for 1 load of dish) 1 load of trash (g)	(for 1 load of trash) 1 load of dish (h)

Who has the ....

- Absolute Advantage for Washing Dishes? (Lale (a)<(c))
- Absolute Advantage for Sweeping? (Lale (b)<(d))

- Comparative Advantage for Washing Dishes? (Levent (e)>(g))
- Comparative Advantage for Sweeping?(Levent (f)<(h))