



Strengths and Weaknesses in Global Trade: Comparative and Absolute Advantage

Introductory level for grades 9–12

1 to 2 60-minute lessons

By **Chris Soule**

Lesson Overview

This lesson explores the economic concepts of comparative and absolute advantage through real-world examples. Students will identify how countries specialize in producing certain goods and explain how this affects global trade, economic relationships, and resource consumption.

Essential Questions

- How do comparative and absolute advantage influence global trade and economic specialization?
- What factors contribute to a country's comparative or absolute advantage in producing goods, and how do these factors affect global economics?
- What are the intended and unintended consequences of specializing based on comparative advantage versus absolute advantage?

C3 Standards

D2.Eco.13.9-12. Explain why advancements in technology and investments in capital goods and human capital increase economic growth and standards of living.

D2.Eco.14.9-12. Analyze the role of comparative advantage in international trade of goods and services.

D2.Geo.5.9-12. Evaluate how political and economic decisions throughout time have influenced cultural and environmental characteristics of various places and regions.

D2.Geo.11.9-12. Evaluate how economic globalization and the expanding use of scarce resources contribute to conflict and cooperation within and among countries.

Objectives

- Define comparative advantage and absolute advantage
- Discuss how nations use comparative and absolute advantage to influence their economic decisions
- Apply the idea of specialization and trade-offs to the macroeconomic level of a nation in the global economy and to the microeconomic level of a person's time

Vocabulary

- Commodity
- Specialization
- Comparative advantage
- Absolute advantage

Materials

- Formative Assessment: Commodities and Advantages Student Activity
- A. J. Jacobs, "The Life Cycle of a Cup of Coffee," TEDEd.

(This source provides a conversation starter for the lesson, using coffee and its status as a globally desired commodity as an example of how some countries specialize in certain production while others simply trade for the good.)

Warm-Up

- Step 1: Show the following video to students: "The Life Cycle of a Cup of Coffee."
- Step 2: Ask students to pay particular attention to the following points:
 - Where coffee originates
 - How many groups are involved in coffee's production, their function, and their socioeconomic status
 - Who the end consumer of coffee is and where they are located
- Step 3: Ask students to share what they noticed in the video. Students may share the following:
 - Coffee is grown mostly in equatorial regions (hot and humid with lots of sun).

- Skill and pay level of the various employees involved in the production and distribution process of coffee.
- Rainforests had to be clear-cut to provide the land for coffee farms.
- A great deal of machinery (mills, vehicles, other tools) is involved.
- Step 4: Point out to students that the video notes that the United States imports more coffee beans than any other country. Pose the question to students: Why does the United States import coffee beans rather than grow them?

Lesson Activities

Activity 1: Defining Comparative and Absolute Advantage

- Step 1: Define for students the following terms:
 - Comparative advantage: when a nation has the ability to make a product at a lower cost than another nation (for example, a clothing company based in the United States makes its clothing in factories in Vietnam because it is cheaper to export labor and materials than to produce them domestically).
 - Absolute advantage: when a nation can generate more output of a product due to an edge in certain factors. A nation can “specialize” in certain goods or services (for example, Brazil, which has a good climate for growing bananas, has an absolute advantage over France, which does not).
- Step 2: Remind students that the video shows how the nation of Colombia is ideally located for growing large quantities of coffee. Because the demand for coffee in other parts of the world (especially the United States) is high, countries will work to maintain a positive trade relationship with Colombia. The United States could produce its own coffee but would be better served by using its resources differently. Colombia has both the comparative advantage and the absolute advantage.
- Step 3: Convey to students that comparative and absolute advantage are terms that apply to people as well. Pose the following questions to students:
 - Whom would you rather have grow corn for your community: a farmer or a police officer?
 - Whom would you rather ask to remove your infected appendix: a firefighter or a surgeon?
 - Whom would you rather have bathe your dog: that surgeon or a dog groomer?
- Step 4: Ask students to consider how specialization makes up a great deal of their lives—that many of them can and will specialize in something that will provide them an occupation. They are already familiar with going to specialists when they desire a certain good or service. Could a surgeon also get good at bathing dogs? Certainly, but perhaps the time and expertise of the surgeon could be put to better use.

- The surgeon has the absolute advantage over the dog groomer when it comes to removing infected organs.
- The groomer has the comparative advantage over the surgeon when it comes to bathing dogs.

Activity 2: Commodities Research

- Step 1: Explain to students that they will now do some research on a certain commodity or product of their choosing. Provide a printed or digital copy of the commodities document to students.
- Step 2: Break students into small groups of 2–3 and assign them 1 of the following products:
 - Electronics manufacturing (China, South Korea, Taiwan)
 - Automobiles (Germany, Japan, United States)
 - Textiles and apparel (Bangladesh, Vietnam, India)
 - Oil and natural gas (Saudi Arabia, Russia, United States)
 - Agricultural products (United States, Ukraine, Argentina)
 - Pharmaceuticals (Switzerland, United States, Germany)
 - Tourism (France, Thailand, Italy)

Teacher note: On the Commodities document, "Coffee" is already filled in to review the material from the start of class and to give students a sense of what they should be fulfilling for their assigned topic.

- Step 3: Each group will investigate their economic resources and prepare to share the following information with their classmates:
 - Why these countries have the comparative and/or absolute advantage
 - Which specific factors of production give them the advantage
 - What would happen if these countries lost their advantage
 - How these countries benefit from the global trade of their product
- Step 4: Ask groups to share out their findings.

Optional break to begin following activity on day two.

Socratic Discussion

- Step 1: Ask students to consider the activity from the previous activity. Prompt students to write down what they think the intended and unintended consequences are of specialization.
- Share with students that they will engage in a Socratic discussion about the following prompt to apply their knowledge from the day's lesson:

Imagine a world where countries produce only the goods in which they have an absolute advantage.

- How would this affect global trade and economic growth?
- Should countries always specialize based on absolute advantage, or is comparative advantage more beneficial?
- What are the intended and unintended consequences of this decision?
- Step 2: Remind students to follow class discussion norms and encourage to apply their understanding of the concepts to tackling the idea of how advantages and specialization influence the trade relationships between countries and the way they approach economics.

Exit Ticket

- Provide students with a few minutes at the close of class to write in their own words what the difference is between these two concepts and how the class examples enriched their understanding of them.