

# EC 131 - Lecture 2

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Textbook readings: Chapter 3

## 1 Production Possibilities Frontier

- iPhones vs Burritos: bowed-out PPF
- Opportunity cost depends on current production
- Slope increasingly high

## 2 Gains from Trade

- U.S. top trade partners
- Rancher and Farmer: with and without trade
- Individual PPF: Consumption Possibilities Frontier (CPF)
- Absolute advantage (productivity)
- Comparative advantage (opportunity costs)
- Specialization and gains from trade
- Price of trade
  - When will gains from trade happen?
  - When will they trade?
- Imports/Exports