Theory of Comparative Costs

History of Economic Thought I

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Assumptions

① Two countries：

② Two goods：

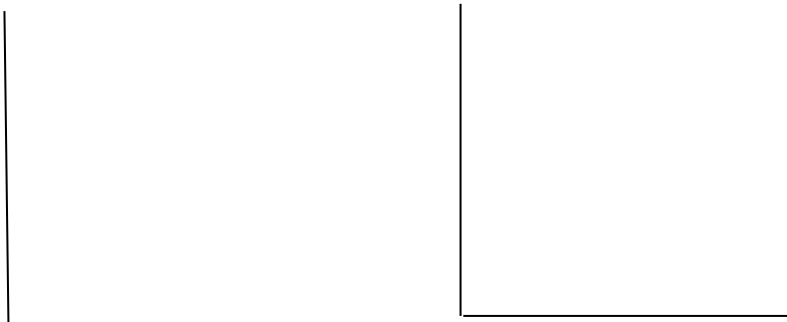③ Ratio of exchanging two goods：

④ Technology：

Numerical example

	England	Portugal
Clothes	1 0 0	9 0
Wine	1 2 0	8 0

18th century rule：

Theory of comparative costs：

Figure

Suppose the total labor population of England as L, and that of Portugal as L'：

Implications: