1. Chapter 1 Introduction
2. Chapter 2: Thinking Like an Economist
3. Chapter 3: Interdependence and the Gains from Trade
   1. Comparative Advantage
      1. The ability to produce a good at a lower opportunity cost than another producer
      2. Even if Person A has an absolute advantage over Person B, trade between the two can be good if they have differing comparative advantages.
      3. If Person A can make 5 oranges or 10 apples, but Person B can make 2 oranges or 3 apples, the following is the opportunity costs

|  |  |  |
| --- | --- | --- |
|  | * + 1. Apple (cost in oranges) | * + 1. Orange (cost in apples) |
| * + 1. Person A | * + 1. 1/2 | * + 1. 2 |
| * + 1. Person B | * + 1. 2/3 | * + 1. 3/2 |

* + 1. While Person A can produce apples cheaper than Person B (in terms of opportunity cost), Person B can produce oranges at a cheaper rate than Person A.