## Review Questions

8.

What is absolute advantage? What is comparative advantage?

9.

Under what conditions does comparative advantage lead to gains from trade?

10.

What factors does Paul Krugman identify that supported expanding international trade in the 1800s?

11.

Is it possible to have a comparative advantage in the production of a good but not to have an absolute advantage? Explain.

12.

How does comparative advantage lead to gains from trade?

13.

What is intra-industry trade?

14.

What are the two main sources of economic gains from intra-industry trade?

15.

What is splitting up the value chain?

16.

Are the gains from international trade more likely to be relatively more important to large or small countries?