

## Absolute vs Comparative Advantage (Simple Number Example)

### Step 1: Time to do tasks

Person	Task A (hours)	Task B (hours)
Alex	4	6
Bailey	6	12

#### Absolute Advantage:

- Alex is faster at **both tasks** ( $4 < 6$ ,  $6 < 12$ ) 

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### Step 2: Opportunity Cost (Comparative Advantage)

**Opportunity cost** = “What do I give up to do 1 unit of a task?”

#### Alex:

- Task A takes 4 hours
- In 4 hours, Alex **could have done  $4 \div 6 = 0.67$  of Task B**
- Task B takes 6 hours
- In 6 hours, Alex **could have done  $6 \div 4 = 1.5$  of Task A**

#### Bailey:

- Task A takes 6 hours
- In 6 hours, Bailey **could have done  $6 \div 12 = 0.5$  of Task B**
- Task B takes 12 hours

- In 12 hours, Bailey **could have done  $12 \div 6 = 2$  of Task A**

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### Step 3: Who should do what?

- **Task A:** Alex's opportunity cost = 0.67 of Task B
- **Task A:** Bailey's opportunity cost = 0.5 of Task B  (Bailey gives up less) → Bailey should do Task A
- **Task B:** Alex's opportunity cost = 1.5 of Task A
- **Task B:** Bailey's opportunity cost = 2 of Task A  (Alex gives up less) → Alex should do Task B

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### One-line memory trick

- **Absolute advantage:** Who is faster
- **Comparative advantage:** Who gives up less