

SECTION 1.7 SPECIALIZATION AND TRADE

- People are specializing when they concentrate their energies on only one or a few activities. Specialization is evident not only among individuals but among regions and countries as well.

Active Learning Exercise: *Comparative Advantage*

- · · As the size of a company increases, each employee can increase their level of specialization. The advantages are that employees acquire greater skill from repetition, they avoid wasted time in shifting from one task to another, they do the types of work for which they are best suited and it promotes the use of specialized equipment.

- · · **Trade**, or **voluntary exchange**, increases wealth. Trade increases wealth by allowing a person, region, or nation to specialize in those products that it produces at a lower opportunity cost and to trade for those products that others produce at a lower opportunity cost.