

**DISCUSSION QUESTION**

Name:

Instructor:

Course:

Sally can type 100 words per minute, while David can type 200 words per minute. Given these numbers, society would be better if which one of the two was employed as a typist?

- a) Sally
- b) David
- c) It depends

## PEER GROUP PROBLEM SOLVING

Name:

Instructor:

Course:

Table 1: Number of Problems Solved in 1 Hour

	Economics	Math
Diane	24	48
Jack	8	32

Who has an absolute advantage in Economics? Who has an absolute advantage in Math?

Who has a comparative advantage in Economics? Who has a comparative advantage in Math?

**IN-CLASS EXPERIMENT / ACTIVE EXERCISE**

Divide the class into four groups. One group will represent Walmart. One group will represent Walmart's foreign suppliers (foreign firms/workers). The third group will represent Walmart's potential domestic suppliers (U.S. firms/workers that Walmart would buy from if they were not buying from the foreign firm). The fourth group will represent U.S. consumers.

1. The Walmart group should explain why they buy from the foreign firm/workers.
2. The foreign firm/workers should explain what it means to them that Walmart buys their products.
3. The U.S. firm/workers should explain the impact to them from Walmart not buying their products.
4. The U.S. consumer group should explain why they purchase from Walmart.

## SOLUTIONS AND INSTRUCTOR NOTES

### Discussion Question

Sally can type 100 words per minute, while David can type 200 words per minute. Given these numbers, society would be better if which one of the two was employed as a typist?

- a) Sally
- b) David
- c) It depends

*It depends on Sally and David's other skills. For example, if Sally's only skill is typing, then even if she types slower than David, society would be better off if David used his other skills and Sally was a typist.*

### Peer Group Problem Solving

Table 1: Number of Problems Solved in 1 Hour

	Economics	Math
Diane	24	48
Jack	8	32

Who has an absolute advantage in Economics? Who has an absolute advantage in Math?  
Who has a comparative advantage in Economics? Who has a comparative advantage in Math?

*Diane has an absolute advantage in Economics.  
Diane has an absolute advantage in Math.  
Diane has a comparative advantage in Economics.  
Jack has a comparative advantage in Math.*

### In-Class Experiment / Active Exercise

Divide the class into four groups. One group will represent Walmart. One group will represent Walmart's foreign suppliers (foreign firms/workers). The third group will represent Walmart's potential domestic suppliers (U.S. firms/workers that Walmart would buy from if they were not buying from the foreign firm). The fourth group will represent U.S. consumers.

*Answers will vary but the purpose is to illustrate the different motivations that drive economic interests.*

1. The Walmart group should explain why they buy from the foreign firm/workers.

*The Walmart group's explanation for why they buy from the foreign firm/workers should focus on lower operating costs.*

2. The foreign firm/workers should explain what it means to them that Walmart buys their products.

*The foreign firms/workers should explain that selling to Walmart creates jobs and increases the standard of living in their countries, providing economic opportunity.*

3. The U.S. firm/workers should explain the impact to them from Walmart not buying their products.

*U.S. firms/workers should highlight the problems of plant closings, job losses, and urban decay. They could also bring up the long-run problem of a “race to the bottom” in global wages for labor costs.*

4. The U.S. consumer group should explain why they purchase from Walmart.

*The U.S. consumer group shops at Walmart because of low prices.*

*An auxiliary lesson from this exercise could focus on the winners and losers (in the short run) created by free trade.*

*For more in-class experiment and active learning ideas, visit [www.econedactive.com](http://www.econedactive.com).*