ECONOMICS

GAINS FROM TRADE Name: _____ Period: _____

How Does Specialization Lead to Economic Interdependence?

specialization
The development of skills or knowledge in one aspect of a job or field of interest. People who specialize become expert in a particular activity.

division of labor
The allocation of separate tasks to different people. Division of labor in the production of a good or service is based on the principle of specialization.

voluntary exchange
The act of willingly trading one item or service for another. Both parties in a voluntary exchange expect to gain from it.

barter
The direct exchange of goods or services without the use of money. Barter is typical in traditional economies.

money
A generally accepted medium of exchange that can be traded for goods and services or used to pay debts. Money is critical in a market economy.

economic interdependence
The characteristic of a society in which people rely on others for most of the goods and services they want. This interdependence results from specialization and trade.

absolute advantage
The condition that exists when someone can produce a good or service using fewer resources than someone else.

comparative advantage
The condition that exists when someone can produce a good or service at a lower opportunity cost than someone else.

Create two illustrations, one showing a society that is *self-sufficient* and one showing a society that is *economically interdependent*. For each illustration, write a one- or two-sentence caption that uses these terms:

Reflect on a time when you recently traded or bought an item. Describe this exchange, using the following economic terms: *voluntary exchange, coincidence of wants, barter, money*.

How would you answer the essential question at the top of the page?