

Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Producing more efficiently and trading for the rest.
- _____ Free-market tradition formalized by Smith and Ricardo.
- _____ Shift from farms to factory production.
- _____ Value determined by labor required to produce.
- _____ Extra value from fertile land during scarcity.
- _____ British tariffs that restricted imported grain.
- _____ Producing more of a good than another country.

Column B

- a. Industrial Revolution
- b. Corn Laws
- c. Rent
- d. Absolute Advantage
- e. Comparative Advantage
- f. Labor Theory of Value
- g. Classical School of Economics

Multiple Choice

1. Who in Britain was benefiting from the Corn Laws and why?

- a. Wealthy landowners, because the tariffs kept the price of British grain high.
- b. Factory workers, because the tariffs created more manufacturing jobs.
- c. Foreign grain producers, because they could charge premium prices in the British market.
- d. The British government, because tariff revenue funded public services.

2. According to Ricardo, what should a country focus on producing?

- a. The goods that other countries cannot make at all.
- b. The goods that bring in the most gold and silver from foreign buyers.
- c. The goods it can make most efficiently compared to its other options.
- d. The goods that its own citizens need the most in daily life.

3. Why does Ricardo argue that even a country that produces everything more efficiently should still trade with others?

- a. Because trade builds friendships between nations and reduces the risk of war.
- b. Because focusing on what it produces most efficiently frees resources to do more of it.
- c. Because international agreements legally require countries to trade with one another.
- d. Because making everything alone is impossible for any country to actually achieve.

4. Suppose a country places a high tariff on imported steel to protect its own steel industry.

Which of the following BEST supports Ricardo's reasoning?

- a. Everyone in the country will benefit because the steel industry is protected.
- b. Foreign countries will retaliate, causing tensions to rise, prices to increase, and overall economic inflation.
- c. Steel will be cheaper for everyone because domestic producers must lower their prices.
- d. Domestic steel producers will gain at the expense of consumers and other industries who must pay higher prices to keep up.



Application

Ricardo's idea of comparative advantage applies not just to nations, but to people within a community. Look at your own community. You probably have specialists like a barber, a mechanic, a teacher, a doctor, and a plumber. Using Ricardo's idea of comparative advantage, explain why your community benefits from having a variety of specialists offering services.

Historical Context

1. What major economic transformation was changing the way Britain produced goods during Ricardo's lifetime?
2. Why was food so expensive in Britain at this time, and who benefited from the high prices?

Exit Ticket:

- Define comparative advantage in one sentence.
- Why does Ricardo argue that voluntary trade leaves both parties better off than they were before?

Economic Game Changers: David Ricardo | Answer Key

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- g. Free-market tradition formalized by Smith and Ricardo.
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 - d. **Steel producers will gain at the expense of consumers and other industries who must pay higher prices to keep up.**

Application

Look around your own community. You probably have a barber, a mechanic, a grocer, a doctor, and a plumber. None of them tries to do all the others' jobs, even if they could learn how. Using Ricardo's idea of comparative advantage, explain why your community is better off because each of these people specializes. Then describe what would likely happen if one of them decided to stop trading and do everything for themselves instead.

Example Student Response:

My community benefits from having a variety of specialists because each person can focus their time and energy on getting really good at one thing. Because each person specializes, they get more done in a day, and they do it better than someone who tries to be a barber, mechanic, and doctor all at once. This is Ricardo's idea of comparative advantage in action. Ricardo said that even if you could do many things on your own, you are better off focusing on what you do best and trading for the rest. The result is that we all end up with better haircuts, better car repairs, and better medical care than if each person tried to do everything for themselves.

If everyone tried to be a generalist, the whole community would lose. The mechanic would spend half his day cutting hair, potentially badly, and the other half fixing cars or doing things around his house all by himself. Those who tried this wouldn't have time to be excellent at just one thing, and thus would take longer to do many things - a lose/lose for everyone. By specializing and trading, the community produces more total goods and services, and the quality is higher too. That is exactly what Ricardo was arguing for.

Guidance for Grading:

- ☐ The student correctly identifies that specialization improves the quality, speed, and cost of services in the community.
- ☐ The student explains that trade enables specialization – without trade, each person would have to do everything themselves.
- ☐ The student describes a clear negative consequence of refusing to trade and specialize.
- ☐ The student explicitly connects the example to Ricardo's principle of comparative advantage.

Historical Context

1. What major economic transformation was changing the way Britain produced goods during Ricardo's lifetime?

Example answer:

The Industrial Revolution. Britain was rapidly shifting from small farms and workshops to large, mechanized factories, as people moved to cities.

2. Why was food so expensive in Britain at this time?

Example answer:

The Corn Laws were tariffs that restricted the import of foreign grain, keeping British grain prices artificially high.

Exit Ticket:

- In your own words, explain what comparative advantage means and why it matters.

Example answer:

Comparative advantage means that when each person or country focuses on producing what they do most efficiently and trades for the rest, both sides end up with more than if they tried to do everything themselves.

- Explain the benefits of voluntary trade.

Example answer:

Voluntary trade only happens when both sides agree to it, and they only agree when each side believes they will get something they want more than what they are giving up. Because both sides choose to trade, both sides walk away better off than they were before. If a trade would leave someone worse off, that person simply would not agree to it.