

Economists generally
pro-trade

Gains from trade:
both countries achieve
a higher standard
of living through trade

Sources of Comparative
Advantage

- differences in climate
- differences in Factor
endowment (K/L e.g.)
- differences in Technology

But Challenges to Globalization

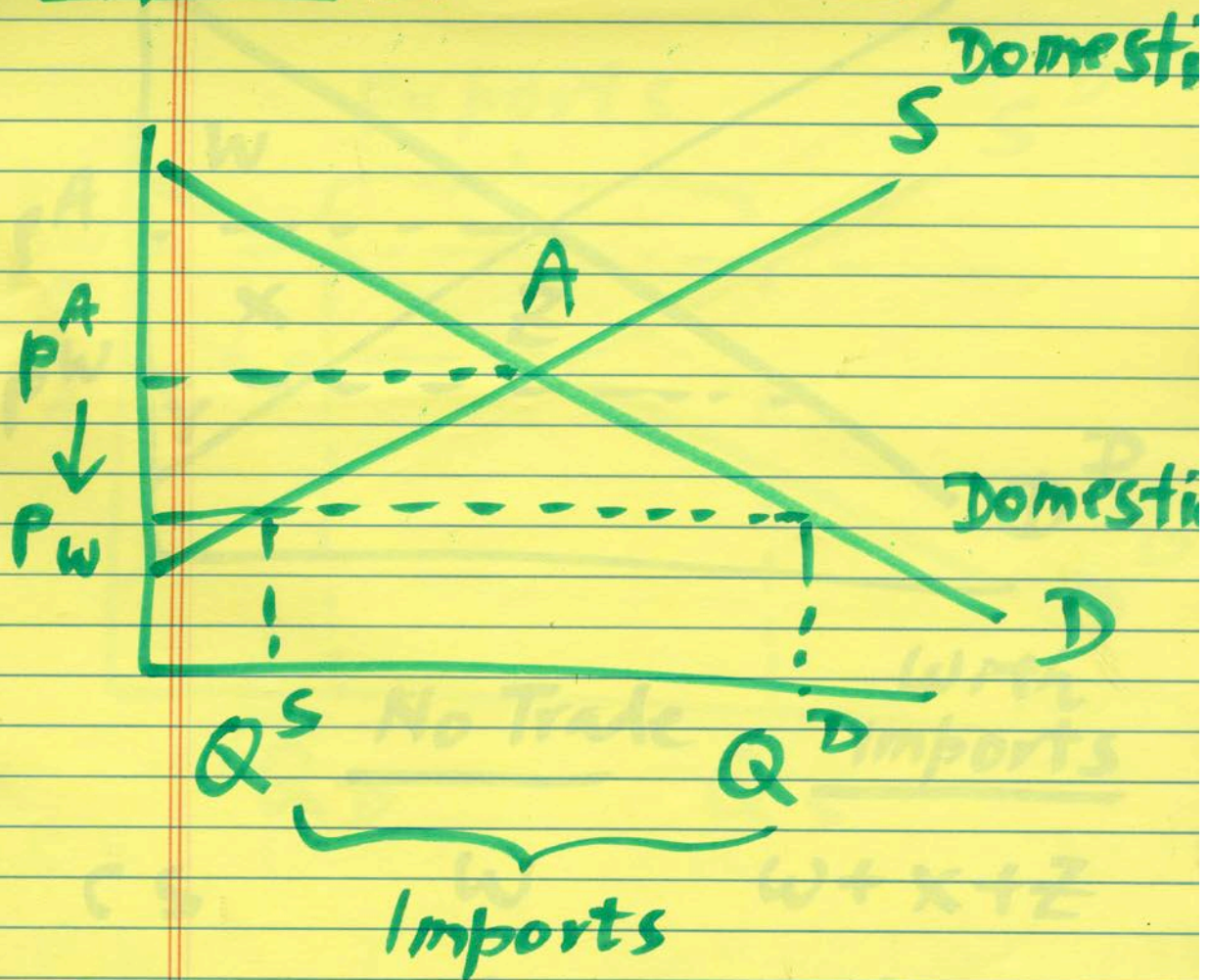
- wage inequality
 - trade can widen wage gap and hurt the unskilled workers
- offshore outsourcing
 - job insecurity
 - even the skilled may face economic insecurity

BNF CIVILISATIONS 10

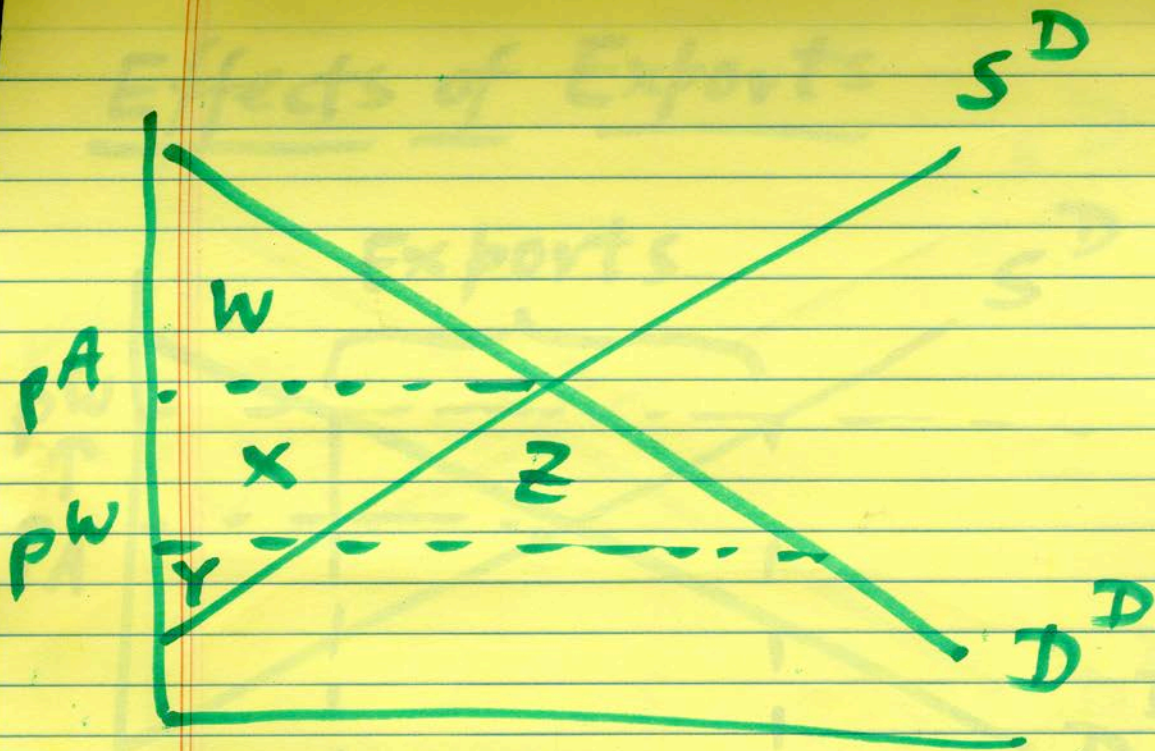
others:

- Environmental (particular, global)
- culture ?
- contagion
- dynamism vs stability

Effects of Imports



consumers gain $+Z$
producers lose $-X$
change in TS $+Z$



No Trade

With Imports

CS

W

W + X + Z

PS

X + Y

Y

consumers gain

X + Z

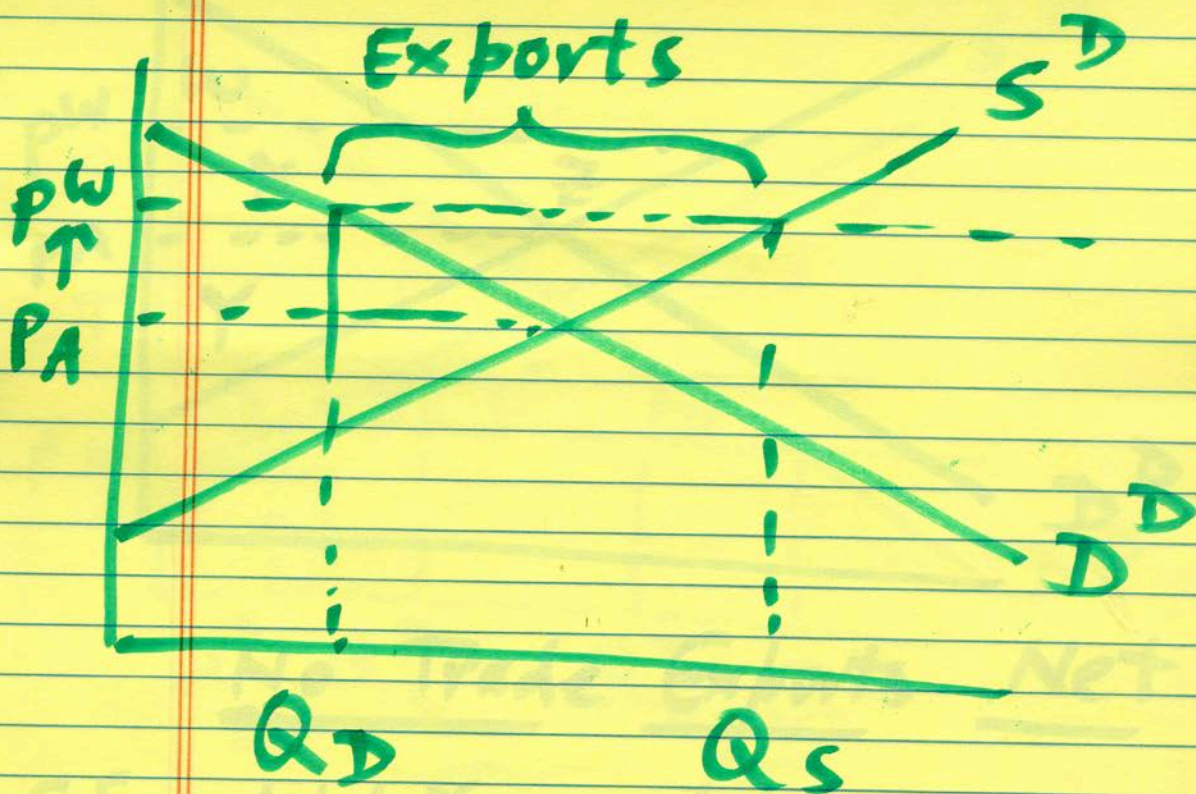
producers lose

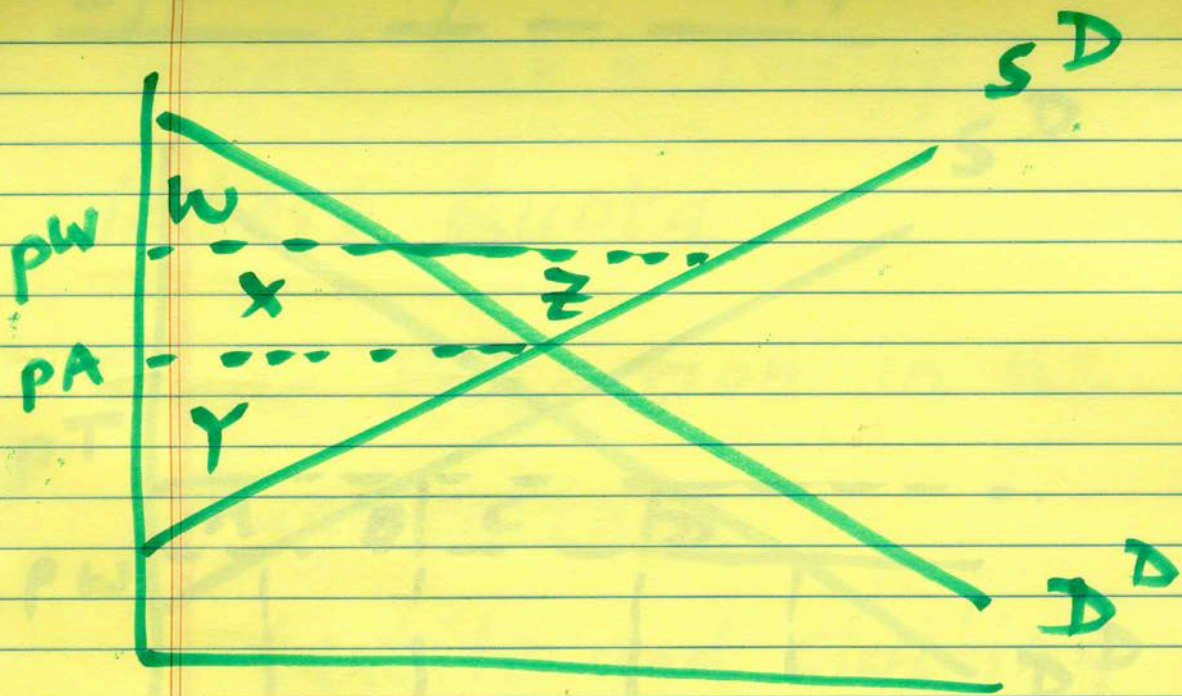
X

change in TS

+ Z

Effects of Exports

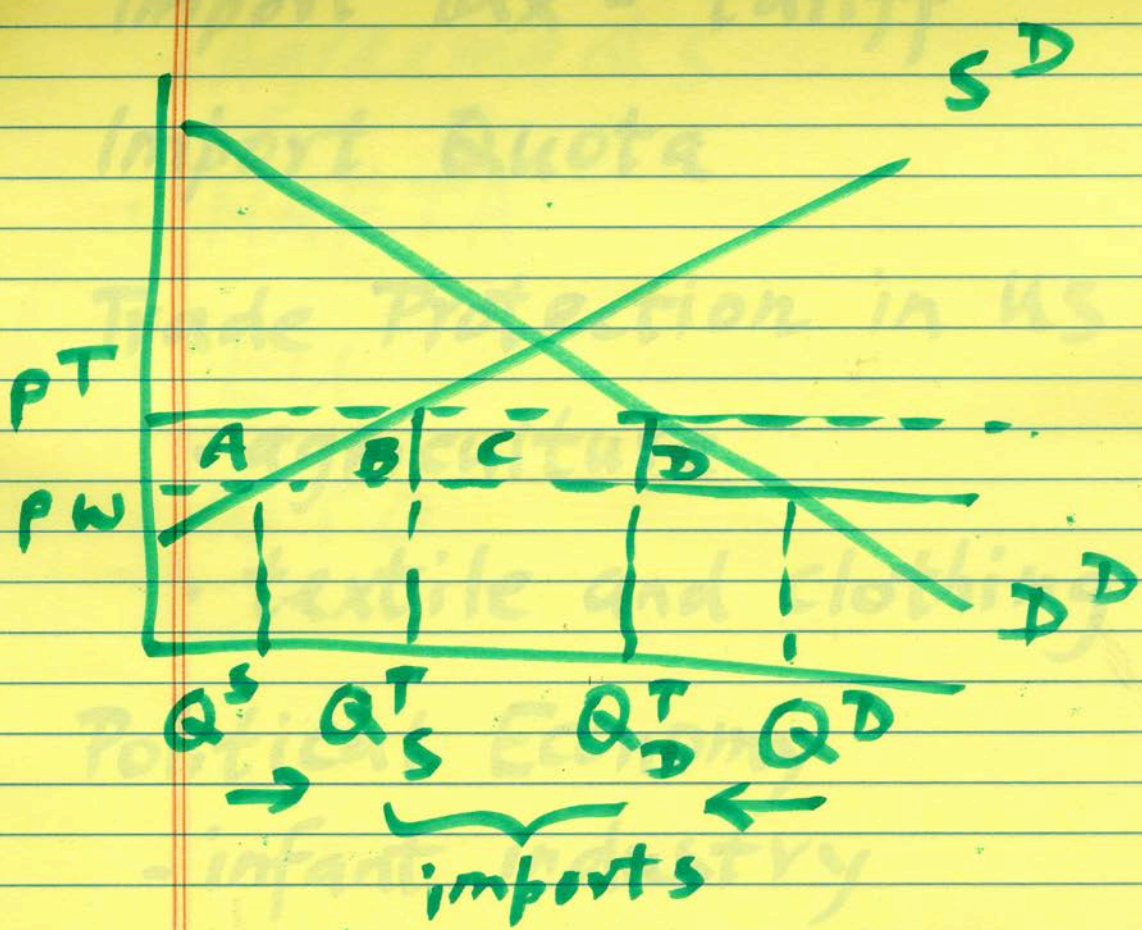




No Trade Exports Net

CS	$w+x$	w	$-x$
PS	y	$x+y+z$	$+(x+z)$
TS			$+z$

Effects of a Tariff



- $\Delta CS = -(A+B+C+D)$
- $\Delta PS = +A$
- $\Delta TS = -(B+D)$

Import tax - tariff

Import Quota

Trade Protection in US

- agriculture

- textile and clothing

Political Economy

- infant industry

- income distribution

- national security

- jobs

International Trade Agreements

- NAFTA

- EU

- WTO