

CH. 1

1/3 OF CLASS

WHAT GOODS ARE TRADED + WHY?

WHY COUNTRIES TRADE GOOD X
AND NOT OTHER COUNTRIES?

2/3 OF CLASS

INT'L TRENDS

MIGRATION + EMPLOYMENT

FLOWS OF MONEY

Y, C, I, G?

EXCHANGE RATES

GOV'T ACTION/INACTION

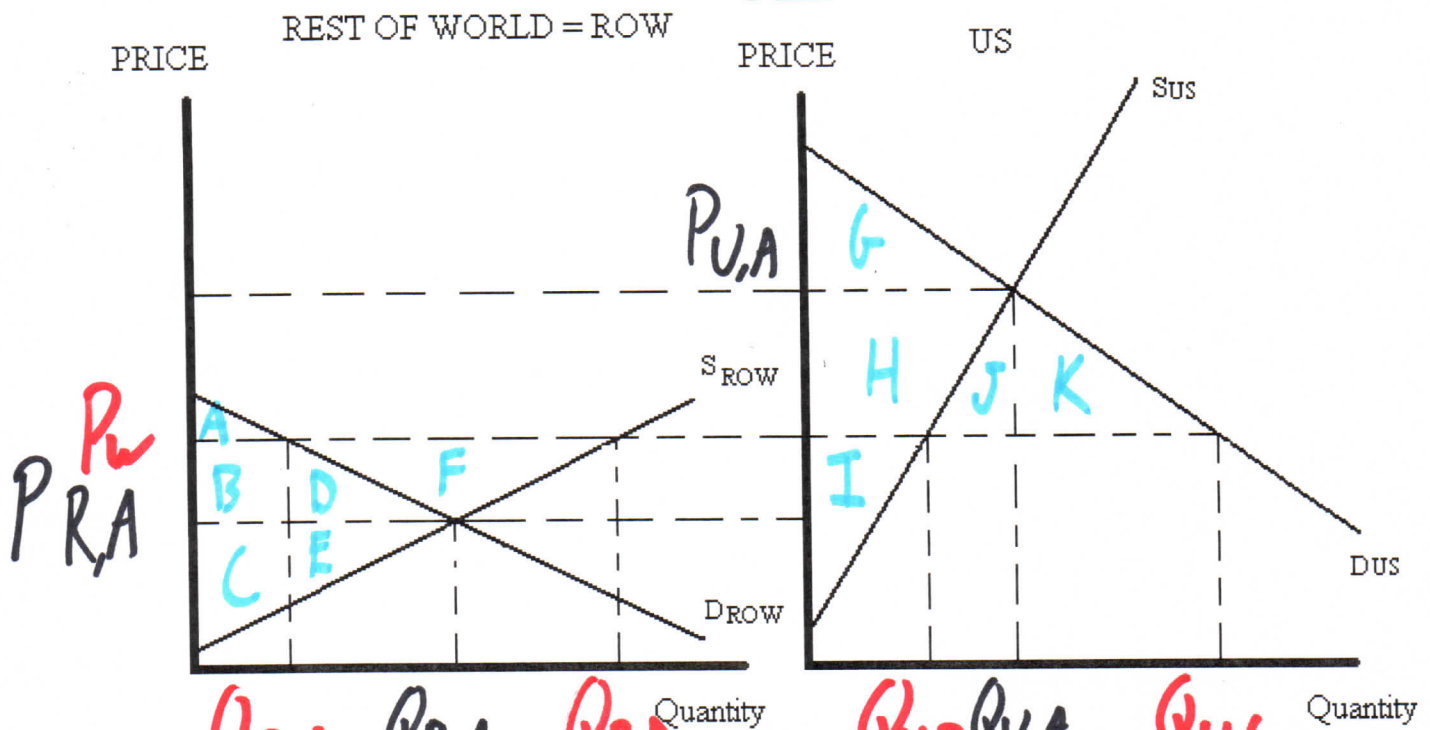
CH. 2 TRADE: SUPPLY + DEMAND

QUESTIONS TO ANSWER

- ① WHY DO COUNTRIES EXPORT, OR IMPORT, SOME GOODS BUT NOT OTHERS?
- ② HOW IS PRODUCTION/CONSUMPTION IMPACTED BY TRADE?
- ③ HOW IS OVERALL ECONOMIC WELFARE IMPACTED?
- ④ WHO GAINS? WHO LOSES?

Trade: Supply and Demand

OIL



AUTARKY = NO TRADE $\rightarrow$ EXPORTS = IMPORTS

ARBITRAGE = BUY LOW, SELL HIGH $\checkmark$

AT P_w EXPORTS = IMPORTS

AUTARKY

ROW CS: $A+B+D \rightarrow A+B+C + D+E$

ROW PS: $C+E$

US CS: $G \rightarrow G+H+I$

US PS: $H+I$

WORLD: $A+B+C+D+E + G+H+I$

TRADE

ROW CS: A

ROW PS: $B+C+D+E+F$

US CS: $G+H+J+K$

US PS: I

WORLD: A THROUGH K

$A+B+C + D+E$
 (F)
 $G+H+I + J+K$

EACH COUNTRY BENEFITS OVERALL
~~EXPORTER~~ DEMANDERS IN THE IMPORTING
COUNTRY BENEFIT

SUPPLIERS IN THE EXPORTING COUNTRY
BENEFIT

DEMANDERS IN THE EXPORTING COUNTRY LOSE
SUPPLIERS IN THE IMPORTING COUNTRY LOSE