

### Comparative Advantage & Int'l Trade Gains

<b>Opportunity Cost</b>	Highest-valued alternative that must be given up to engage in an activity
<b>Comparative Advantage</b>	Situation of producing at lowest opportunity cost
<b>Specialization</b>	Focusing production on highest Comparative Advantage
<b>Absolute Advantage</b>	Situation of being able to produce higher amounts than anyone else, given same resources
<b>Autarky</b>	Situation in which a country doesn't trade with other countries
<b>Terms Of Trade</b>	Ratio of exports for imports in trade
<b>Free Trade</b>	Trading between countries without gov't restrictions
<b>Quota</b>	Numerical limit gov't imposes on quantity of good that can be imported
<b>Voluntary Export Restraint (VER)</b>	Agreement negotiated between 2 countries placing a limit on a quantity imported by a specific country
<b>General Agreement on Tariffs and Trade(GATT)</b>	Countries agreed to reduce tariffs from very high levels of the 30's.
<b>World trade organization</b>	int'l organization that oversees international trade agreements
<b>Globalization</b>	Process of countries becoming more open to foreign trade and investment
<b>Anti-Globalization</b>	Think distinctive cultures are crushed, unfair payment to poorer countries, and large corporations leave
<b>Protectionism</b>	Using trade barriers to shield domestic firms from foreign competition (Saves jobs, protects high wages, protects infant industries & National Security)
<i>Sources of Comparative Advantage</i>	Relative abundance of labor and capital, climate & natural resources, technology, external economies of scale
Tariff & Quota Effects	Consumers & Economy Lose, Producers Gain
Imports =	Amount of Consumption - Amount of production at a price



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### Comparative Advantage & Int'l Trade Gains (cont)

Trade Restrictions the U.S. economy would gain from the elimination of tariffs and quotas even if other countries do not reduce their tariffs and quotas.

### Chapter 8 GDP

Growth Rate  $\% \text{ Change in RGDP (Ending - beginning) / beginning} * 100$



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