

Comparative Advantage & Int'l Trade Gains	
Opportunity Cost	Highest-valued alternative that must be given up to engage in an activity
Comparative Advantage	Situation of producing at lowest opportunity cost
Specialization	Focusing production on highest Comparative Advantage
Absolute Advantage	Situation of being able to produce higher amounts than anyone else, given same resources
Autarky	Situation in which a country doesn't trade with other countries
Terms Of Trade	Ratio of exports for imports in trade
Free Trade	Trading between countries without gov't restrictions
Quota	Numerical limit gov't imposes on quantity of good that can be imported
Voluntary Export Restraint (VER)	Agreement negotiated between 2 countries placing a limit on a quantity imported by a specific country
General Agreement on Tariffs and Trade(GATT)	Countries agreed to reduce tariffs from very high levels of the 30's.
World trade organization	int'l organization that oversees international trade agreements
Globalization	Process of countries becoming more open to foreign trade and investment
Anti-Globalization	Think distinctive cultures are crushed, unfair payment to poorer countries, and large corporations leave
Protectionism	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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 Page 1 of 2.

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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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