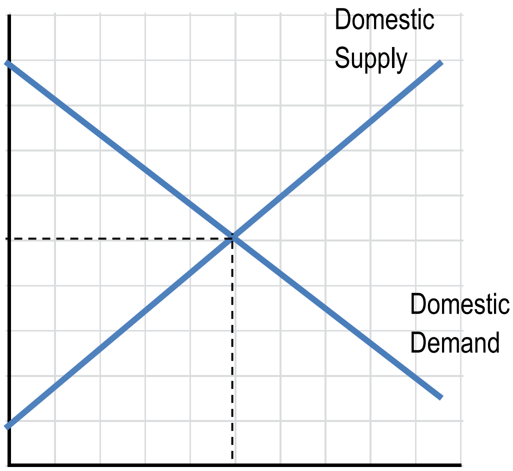
CONCEPT: INTERNATIONAL TRADE – EXPORTING AND IMPORTING

● Countries should produce and trade goods for which they have a ____________________ over other countries.

☐ ***Autarky*** – when a country ____________ trade with other countries



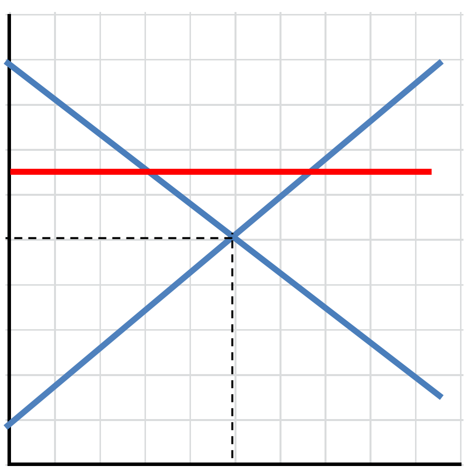
Domestic Price – The equilibrium price without trade

World Price – The price in the worldwide market

- International Trade happens at the world price.

- Quantities will always be ____________

☐ High World Price: Export



Domestic Quantity Surplus → ____________

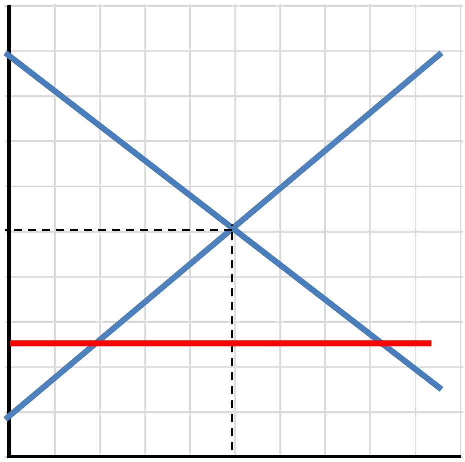
Exports – Goods produced ________________ but sold ____________________

	Before Trade (Autarky)	After Trade (Export)	Change
Consumer Surplus			
Producer Surplus			
Total Surplus			

- Exporting makes a country's _____________ better off and _____________ worse off.

- However, the nation is better off because the gains to _________ exceed the losses to _________

☐ Low World Price: Import



Domestic Quantity Shortage → ______________

Imports – Goods produced ____________________

but sold __________________

	Before Trade (Autarky)	**After Trade (Import)**	**Change**
Consumer Surplus			
Producer Surplus			
Total Surplus			

- Importing makes a country's _______________ better off and _______________ worse off.
- However, the nation is better off because the gains to __________ exceed the losses to __________

PRACTICE: A nation practicing autarky has a domestic price of extremely tight pants that is lower than the world price. If the nation opened up trade,

a) It would become an extremely tight pants exporter because the nation has a comparative advantage in producing extremely tight pants.
b) It would become an extremely tight pants importer because the nation has a comparative advantage in producing extremely tight pants.
c) It would become an extremely tight pants exporter because the nation does not have a comparative advantage in producing extremely tight pants.
d) It would become an extremely tight pants importer because the nation does not have a comparative advantage in producing extremely tight pants.