

A Conscientious Look at Regional & International Trade

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What's the up side of trade?

- Can buy many things at lower prices.
- Can buy exotic stuff, like spices.
- Opens up more markets for my company, community & region.
- Lets many people elsewhere have more access to basic needs, jobs, new technologies.
- Enables the world as a whole to produce more.

What's the down side of trade?

- Competition may squeeze out local businesses & force worker layoffs.
- Not self-reliant; very dependent on other places for goods.
- More exposure to global economic & political uncertainties.
- May unintentionally support bad labor & environmental practices.

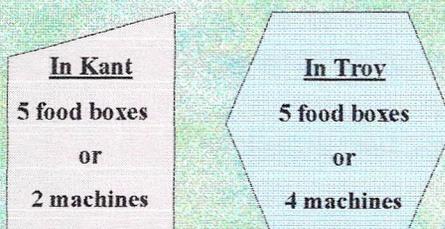
Comparative Advantage What's it all about?

It explains how trade can help two regions or nations to be better off in terms of access to goods.

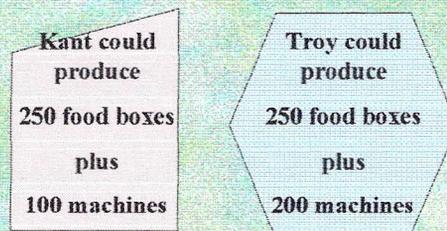
Example: two nations--
Kant & Troy--want food & machinery.
Both are good at food production, but Troy is more efficient than Kant at machinery production.

Example adapted from Marika Hurt McCarty, *Dollars and Sense: An Introduction to Economics* 8th ed. (Reading MA: Addison-Wesley, 1997), p. 334-337.

Each day's labor can produce...



Without specialization...



If each had 100 labor days:
50 for food, 50 for machines.

With specialization...

Kant would focus on food & produce 500 boxes

Troy would focus on machines & produce 400

If each had 100 labor days.

Then, by trading, both could have more machines and still meet their food needs

	<u>Kant could have</u>	<u>Troy could have</u>
Without trade	250 food boxes and 100 machines	250 food boxes and 200 machines
With trade	250 food boxes and, say, 150 machines	250 food boxes and, say, 250 machines

Kant has traded 250 food boxes for 150 machines. The terms of trade could be different, depending on supply and demand, bargaining power & exchange rates.

***But what about the trade negatives?
How to minimize the harms?***

Some actions might be...

Help to displaced workers in acquiring new skills & relocating.

Monitoring to ensure no bad worker conditions or environmental impacts.

Long-term agreements to make the trade relationship dependable.