

OUTLINE OF LECTURE 13: TRADE AND INTERDEPENDENCE

1. Why trade?
 - a) absolute advantage
 - b) comparative advantage
 - production possibilities
 - specialization
 - term of trade
 - gains from trade
 - expansion of production
2. Why restrict trade?
 - a) autarky and free trade
 - b) social/political/security costs of trade liberalization
 - c) reasons for protectionism:
 - national security
 - domestic welfare
 - political autonomy
 - infant industries
3. Methods for protectionism:
 - a) tariffs (trade war)
 - b) non-tariff barriers (NTBs):
 - quotas
 - voluntary export restrictions (VERs)
 - regulations (red tape)
 - subsidies
 - nationalization
4. Economic threats
 - a) sanctions
 - b) boycott
 - c) embargo