
Unit 4: International Trade

Unit Overview:

Unit Four is focused on the influences that govern trade, the advantages of free trade over restricted trade, and the reasons free trade is often compromised. Included are explanations of how exchange rates are determined and influenced, the policies of the World Trade Organization and the World Bank, and how trade is influenced by changes in policy in particular countries.

This is an interesting unit and something easy for international students to relate to, as they are often very aware of exchange rates and how prices vary in different countries.

If you have international students in your classes, it is great to use their own experiences to build on your lessons. Do not be afraid to invite their own observations, as these can add both weight and debate about the advantages of international trade.

Topic: Lesson 4.1: Day 71 Reasons for trade

Objective(s), skills attained & motivation:

Maybe good to follow all the debate of the Macroeconomics unit, that we have a topic here on which most economists agree—that free trade, by allowing people to specialize in what they do relatively best, can improve potential output levels. If students understand that lesson, our objectives have been achieved.

Starter Activity:

No time has been set aside here for a review of the macroeconomics test, and you may want to take another lesson to do that, using the alternative exam as an extra confidence builder for the students or for extra review if they need it.

Otherwise it is good to start right in on the Class Notes and a quick introduction to International Trade.

Vocabulary:

Factor endowment
Factors of production
Principle of comparative advantage
Absolute advantage
Comparative advantage
Opportunity costs

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Materials list:

For the higher level students, who will be expected to demonstrate the potential advantages of free trade, graphing materials will be required.

Homework:

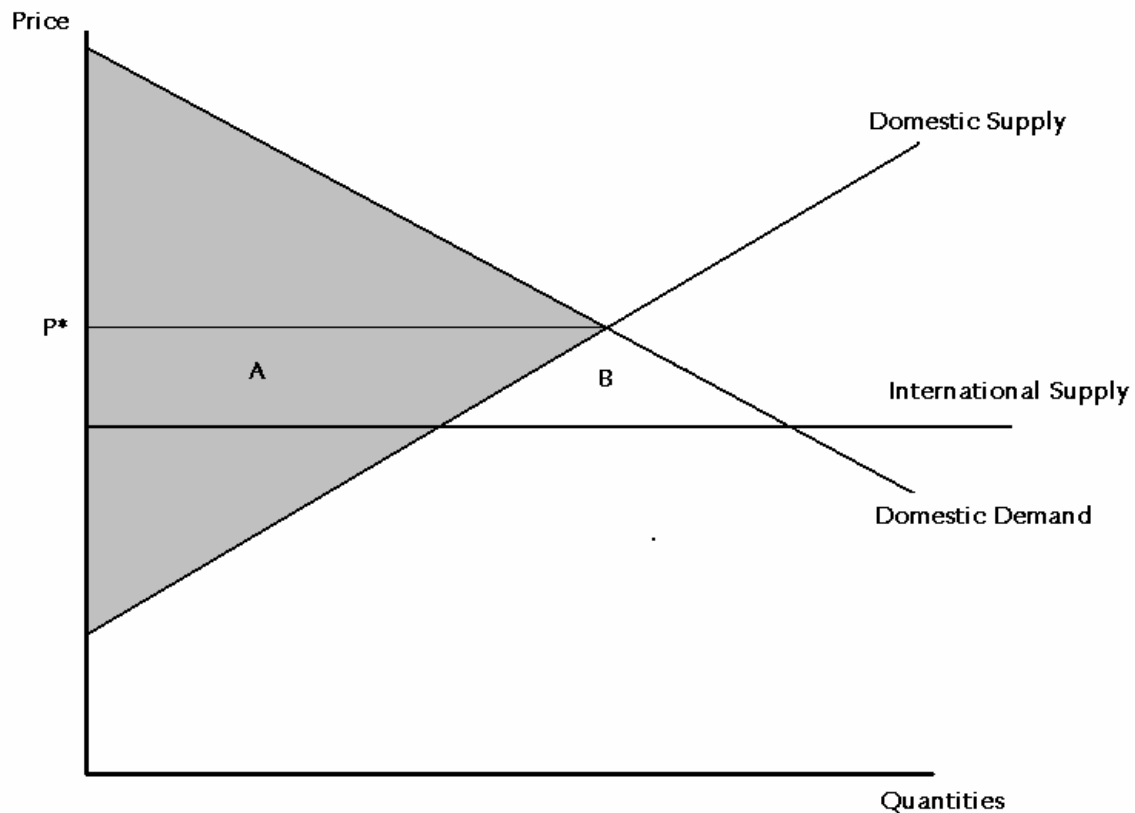
Exercise 4.1a Terminology Review

Suggested Teaching Strategies:

Though the IB requires demonstration skills only from higher level students, there is little doubt that those skills contribute to an understanding of the principles here. If time allows, get the standard level students to do demonstrations as well.

Application:

In addition to the production possibilities demonstration given in the Class Notes, another demonstration might be given, showing additions to social surplus resulting from allowing imports from countries that can produce a good more cheaply.



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In this demonstration we can compare social surplus with a restriction on trade, with social surplus after free trade is allowed.

Social surplus with restrictions on trade is shown in the shaded area, producer surplus below P^* and consumer surplus above P^* .

After trade is freed, supplies are allowed into the country prices lower. This allows more consumption of the good and, potentially, less money spent. While domestic producers will see a drop in surplus of area A, consumers will enjoy an increase of areas A plus B.

Either more goods will be bought and enjoyed, or similar amounts will be bought at lower prices. This can mean greater demand for other domestically produced goods.

Topic: Exercise 4.1b: Day 72 Comparative Advantage

Objective(s), skills attained & motivation:

This exercise allows students the chance to demonstrate the advantages of free trade, sometimes a difficult concept to understand.

Starter Activity:

You may begin by asking students if they had trouble defining any of the terms from yesterday's homework.

Materials list:

You may want to make available markers and poster board for demonstrations, but the exercise can be done on paper as well.

Suggested Teaching Strategies:

You may let students work in pairs. Just as well, if they are a strong class, let them work individually.

Topic: Lesson 4.2a: Day 73 Free trade and protectionism

Objective(s), skills attained & motivation:

Here we look for a basic understanding of why protectionism exists and, more thoroughly, the many forms of protectionism that exist.

Starter Activity:

Last class was probably a full and busy lesson. This lesson is much less so, and you may want to use the first part of class to review or finish material from the last lesson.