

**Topics in Trade Theory**

sources of gains from trade: differences in  
    preferences  
    production possibilities

mercantilism  
    goal is to accumulate precious metals  
    sell more in value than you buy  
        prices  
        quantities

absolute vs comparative advantage

comparative advantage: relative opportunity costs

Stolper-Samuelson Theorem: 2 goods, 2 countries, 2 factors of production...

protectionism  
    why economic theory predicts it will be advocated  
    why economic theory believes it should be opposed

why standard economic theory believes the environment should not get in the way of trade

problematic assumptions of the static theory of comparative advantage  
    full employment  
    balanced trade

dynamic advantages to trade  
    economies of scale  
    spur to competition

international capital flows  
    a common myth among environmentalists: the case for free trade ignores capital flows  
    parallels between the case for free trade and the case for free investment

international vs interregional trade