

## **8.2 Lecture 19: International Trade: Welfare and Policy**

### **8.2.1 Welfare impacts of international trade**

- International trade produces efficiency gains from specialization. International trade also unambiguously raises social welfare.
- In competitive model, opening to trade unambiguously increases total welfare but usually at the expense of either consumers or producers

### **8.2.2 Trade policy**

- **Import tariffs** are taxes levied only on imports.
- Some people oppose free trade because they believe free trade is not good enough at compensating the losers, and that it could be socially damaging routes to comparative advantage.
- The same set of principles about trade in goods applies also to the free flow of workers – immigration.

### **8.2.3 TO KNOW – Conceptual Understanding**

- Explain why international trade unambiguously raises social welfare
- Give arguments for and against free trade

### **8.2.4 TO KNOW – Graphical and Math Understanding**

- Analyze the welfare impact of an import tariff

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