International Economic Issues Workbook

The Fun Stuff About Trade

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Table of contents

Course Objectives

This is a companion book I've written for my EC 380 International Trade course. EC 380 is an introductory course to international economics undergraduates. I do not expect us to become experts in the field in just 10 weeks.

The goal is to give you enough knowledge that you can spot the bullshit when you read the news, listen to a podcast, or talk with someone. The goal is to make you comfortable with talking about the complexity of international economics.

Ideally, by the end of the course you will have:

- Understood what comparative advantage means for international trade
- Understood why countries specialize and trade
- Understood why trade is generally good, and understand how it can be bad

International Market Game

What better way to learn than to play a game?

Throughout the term we will create our own international economy. The objective is to experience what markets do and how different agents make decisions. The theory will teach us what **should** happen, but theory is just theory.

We will test theory and learn by doing.

Part I

Game Structure

Rules

Each activity you will be given materials, brief instructions, and time. Your job is to produce as much as you can to meet your demands.

Your groups are assigned in-class and should be reflected below. Let me know if I have made any mistake.

Groups

Country 1	Country 2	Country 3	Country 4	Country 5
Davie, Meadow	Alwan, Ben	Askew-Burch, Jordan	Abe, Kosei	Aleu, Marc
Dillender-Kinast, Will	Ayers, Jonah	Chandley, Dylan	Corvi, Ben	Anderson, Derek
Grisham, Zachery	Gardner, Ema	McConnaughey, Kyle	Garcia Secundino, Jessie	Campbell, Ryan
Hall, Kate	Martinelli, Thomas	Miwa, Kyle	Gudino, Alex	Chaabi, Nidal
McElhinney, Neal	Ostby, Michael	Scyoc, Nick	Heltzel, Dylan	Patel, Jailen
Salazar, Ava	Ruiz, Mason	Serrao, Zach	Kung, Soren	Quinn, Isabel
Solomon, Yodit	Swanson, Tabor	Tran, Hanna	Larson, Brayden	Ramos, Tia
Xie, Phillip	Tredennick, Ryan	Varga, Ethan	Wilson, Nicholas	Sandstedt, Gus

Country 6	Country 7	Country 8	Country 9	Country 10
Davis, Ethan	Aastroem, Arvid	Barrysmith, Caden	Andhavarapu, Vyshnavi	Angelich, Eli
El-Haddar, Jalila	Bell, Alex	Edwards, Race	Bracamontes Varga, Emese	Compton, Carson
Farias-Montes, Adilene	Bradley, Cole	Fleming, Henry	Cicilian, Ben	Fitzgerald, Kyle
O'Hara, Drew	Carson-Cotton, Maddie	Gensler, Sam	Klum, Annalee	Kokoeva, Sasha
Pfeffer, Lauren	Foland, Cade	Hansen, Nick	Lammers, Garrick	Schatzman, Jacob

Country 6	Country 7	Country 8	Country 9	Country 10
Thayer, Jack	Rizzo, Louis	Johnson, Ben	Lee, Sieun	Thomason, Kyle
Watson, Jake	Straton, Will	Moon, Benjamin	Sheakley, Cooper	Wickett, Noah
Webster, Ben	Yan, Jake	Taiber, Miles	Sugawara, Daichi	Williamson, Jaeger

Techonology Differences

Game Set-up

There are 10 groups (countries) made up of 8 students each

In this game we are seeing how **technological differences** across countries can impact outcomes. Each country is tasked with producing as much as they possibly can with the given materials in a set amount of time.

Each country is given a different envelope with materials to produce paper shapes. Each paper shape has it's own value and are "sold" to the instructor for wealth. **Shapes must follow specific measurements and be cut using scissors. Any shape that is not to the proper specifications or well-cut are discarded**.

Due to the difference in endowments some countries are "more productive" than others.

There are **three different type of countries** with the following **endowments**:

High Income (2)

- x2 Scissors
- x2 Rulers
- x1 Circle (Plate)
- x2 Pencils
- x10 White Papers
- x5 $100 Notes

Middle Income (5)

- x2 Rulers
- x2 Pencils
- x10 White Papers
- x5 $100 Notes

Low Income (3)

- x2 Pencils
- x10 White Papers
- x5 $100 Notes

Results

There were a total of **218** shapes that met the stipulated criteria. Of those **218**, there were **12** circles (valued at $500 each), **36** rectangles (valued at $300 each), and **170** equilateral triangles (values at $150 each).

From the original raw resources and total $5000 handed out, all countries produced a total of **$47300** in welfare (goods + money).

Notes

Unsurprisingly, wealth is concentrated in a few nations (most likely the original High-Income countries).

And, because of the incentives, there was a **specialization** in the smallest and easiest-to-produce shape (equilateral triangles).

The data suggests that the poor countries either gave up, or only managed to produce the minimum given their constraints.

Trade, in this context, was around the trading of techonology (rich nations "rented" out their scissors) rather than trade of goods. Although we can consider factor inputs as intermediate goods.

Country	Circles	Rectangles	Equi-Tri	Triangle	Half	Cash	Wealth	Share
1	0	4	0	0	0	500	1700	4%
2	0	13	16	0	0	300	6600	14%
3	0	2	0	0	0	300	900	2%
4	0	0	79	0	0	700	12550	27%
5	0	12	0	0	0	0	3600	8%
6	0	1	0	0	0	500	800	2%
7	0	0	0	0	0	500	500	1%
8	0	0	0	0	0	200	200	0%
9	0	4	0	0	0	500	1700	4%
10	12	0	75	0	0	1500	18750	40%
Total	**12**	**36**	**170**	**0**	**0**	**5000**	**47300**	**100%**