

15.16: Putting It Together- Globalization and International Trade

The goal of this module was to analyze the benefits and costs of international trade, and to determine the extent to which barriers to international trade are warranted.

You learned how to:

- Define and calculate comparative and absolute advantage
- Define and calculate gains from trade
- Understand the way imports and exports impact different actors in the economy (businesses, consumers, and workers)
- Explain how globalization has increased over time, especially over the last several decades
- Understand the way barriers to trade (e.g. tariffs, quotas and non-tariff barriers) affect business, consumers and workers in the economy.
- Differentiate between alternative international trade regimes and how they impact global trade

You learned that trade based on comparative advantage will maximize an individual's or a nation's income, but that there will be winners and losers to trade. For example, employees and owners of a firm that loses business to foreign imports are worse off, even though their loss is less than the gain to consumers. The challenge for policymakers is how to compensate the losers while capturing the gains from trade. Similarly, protectionism benefits some workers and businesses at the expense of other workers and businesses and at the expense of consumers. In this case, the losses to the latter groups are larger than the gains to the former groups. In that sense, protectionism makes a country worse off.

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