



Professor Csongor István Nagy

International Trade

Session 3

This teaching material has been made at the University of Szeged, and supported by the European Union. Project identity number: EFOP-3.4.3-16-2016-00014.



Welcome to the course on International Trade.

The third session of the course provides an introduction into the **economics of world trade**.

Please watch the lecture of Professor Jonathan Gruber from MIT (“19. International Trade: Welfare and Policy”), who provides an **introduction into the economics of international trade**.

The lecture is available at <https://ocw.mit.edu/courses/economics/14-01-principles-of-microeconomics-fall-2018/lecture-videos/lec-19-welfare-policy/>. The lecture is also available at <https://www.youtube.com/watch?v=DxXB8Q5AWvw&t=87s>

The lecture covers international trade, **comparative advantages**, the **welfare economics of international trade**, and how that drives trade policy. It also demonstrates how the restriction of trade damages the society by **reducing social surplus** and **creating deadweight loss**.

Please read the transcript of the lecture, which is available at <https://ocw.mit.edu/courses/economics/14-01sc-principles-of-microeconomics-fall-2011/unit-6-topics-in-intermediate-microeconomics/international-trade/lecture-19-international-trade/oju-1Ogh1ks.pdf>.

The graphs used in the lecture are available at

https://ocw.mit.edu/courses/economics/14-01-principles-of-microeconomics-fall-2018/lecture-notes/MIT14_01F18_handout19.pdf

At the end of the session, please answer the following questions:

- What are comparative advantages?
- What are the economic effects of tariffs?
- Why do states restrict free trade?
- What are the economic benefits of free trade?

