

Book review on facilitator

[Economics](#), [Trade](#)



International Trade

In today's modern world, it is evident that nations cannot afford to exist independently. The first chapter provides logistical information on how international trade links different countries through economic policies, production, labor, and trade. A country cannot set its own economic policies without affecting other nations (Carbaugh 2). This is a big step and change from the previous economic situation where countries used to be independent. The chapter talks of how the United States economically links itself to other nations through trade, economic unions such as the European Union and formation of multinational corporations with their bases existing in many countries all over the world.

The first chapter has opened up my understanding of the factors that foster the currently witnessed International trade cooperation between nations. Development, inventions, and advancement in communication reduce the world into a global village. Liberalization of trade policies contribute to international trade. Reduction in trade barriers acts as an incentive to the trade. The first chapter has helped me understand the globalization process that occurs in three waves. First, wave (the early stage of globalization with fragile cooperation.); second wave (stage of advantage and disadvantage and developed globalization. Third wave, (recent stage characterized by multinational corporations, mobility of factors of production and liberalization.

Contrary to my previous view that there cannot be a perfectly open economy as learned in theory, the chapter has also opened up my understanding of

the traits of an open economy in the real world. These include open trading patterns, mobile factors of production and little regulation on ownership of the factors of production. International trade provides employment opportunities for workers worldwide while at the same time may create unemployment if competition is high in the country. It has an impact on the price of wages both domestically and internationally. Advantages include peace among the trading partners, expansion of markets, increase in consumer choice and avenue to reduce excess production. Disadvantages of international trade include environmental degradation, unfair competition to less developed countries and killing of domestic infant industries due to unfair pricing.

This chapter dwells mostly on theories of international trade, for instance, the mercantilist theory. It states that for a country to achieve favorable balance of payment, it has to practice trade regulations. This practice has come under attack from critics who feel it discourages international trade cooperation. This approach fosters suspicion among countries. The chapter covers Adam Smith's contributions to modern day economics. Smith came up with a basis of trade, which is the principle of comparative advantage. Countries should produce and export goods that they can produce economically at low costs. They should import those that they cannot produce economically. The countries will gain a comparative advantage by producing goods cheaply while importing those that are expensive to produce.

Further reading of the chapter led me to discover about Ricardo's improvements of the theory. He postulates the concept of absolute advantage in production to reduce overdependence on other countries that is brought about by comparative advantage. Ricardo argues that countries could still produce those goods in which they face little comparative disadvantage. If a country faces a comparative disadvantage in production of two goods, it can still engage in production of the good with less comparative disadvantage instead of depending on imports of both goods from other countries. Through production of comparatively advantaged goods, a country makes an efficient utilization of its economic resources.

References

Carbaugh, Robert. International Economics. Mason: Southwestern Cengage Learning. 2011. Print.