4.1: The Benefits of Trade



IB Economics: lBeconomics.com

4.1 THE BENEFITS OF TRADE: STUDENT LEARNING ACTIVITY

Answer the questions that follow.

1. DEFINITIONS

Define the following terms:

- Closed economy
- Consumer welfare
- Economies of scale
- Exports
- Import
- Inputs
- Long-run average cost

- Market power
- Natural resources
- Open economy
- Raw material
- Real income
- Specialised capital
- X-inefficient

[10 marks]



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2. SHORT-ANSWER QUESTIONS

1. Explain the role of specialisation in allowing countries to benefit from internationa	l trade. [4 marks]
2. Explain how the following groups benefit from international trade:	[8 marks]
a. Producers	

b.	Consumers
C.	The domestic economy and society
d.	The global economy and society

3. Explain why international trade is considered as an 'engine for growth'.	[4 marks]
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4. Identify 7 benefits of international trade.	[7 marks]
4. Identity / benetits of international trade.	[/ marks]
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4. Identity / benetits of international trade.	[7 marks]
4. Identify / benefits of international trade.	[7 marks]

5.	Explain how international trade results in lower prices for consumers.	[4 marks]
6.	Explain how international results in greater choice for consumers.	[4 marks]
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7. Explain how international results in producers being able to benefit from economies	of scale. [4 marks]
8. Explain how international results in the ability to acquire needed resources to be used	in production. [4 marks]

9. Explain how international results in a more efficient allocation of resources.	[4 marks]
10. Explain how international results in increased competition and why this can be a	good thing. [4 marks]
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11. Explain how international creates a source of foreign exchange for countries and v thing.	why this is a good [4 marks]
12. Explain how specialisation can increase both real incomes and the purchasin incomes.	g power of real [4 marks]