

YouTube Title: “Free Trade: The Great Prosperity Machine” <http://www.youtube.com/watch?v=bfE2HO8p3FE>
Video Length: 2:57 minutes

Chapter 35: International Trade, p. 764

Topic: Motivation to Trade, p. 768

Key Terms: Trade, specialization

Learning Objective 2: What the gains from trade are.

Economic Application

This video clip, “The Great Prosperity Machine,” illustrates the concept that free trade is like “a machine that allows for more efficient use of resources.” With trade, countries end up consuming more output than by being self-sufficient. Free trade creates mutual benefits. Moreover, “turning cheap goods into expensive goods” helps countries consume the goods that they really want.

Multiple-Choice Question

One result of trade between two countries is:

- a) both countries have an increased number of jobs in their respective countries.
- b) each country can consume more than it produces.
- c) both countries become more self-sufficient.
- d) both countries have increased income equality.

Discussion Question

Why should a country specialize and trade?