

LET'S Talk Trade

Handy Dandy Guide to Economic Reasoning

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
- 5. People gain when they *trade* voluntarily.**
6. People's choices have *consequences* that lie in the *future*.

Voluntary & Non-fraudulent Exchange

- **Voluntary exchange:** when individuals and businesses freely choose to exchange goods, services, resources, etc. for something of value (usually money)
- **Non-fraudulent exchange** occurs when both parties have complete information about what is being traded and its value (i.e., no fraud or

Voluntary Exchanges—Think About It



- When trade is voluntary and non-fraudulent, both parties benefit and are better off after the trade than they were before the trade.
- Remember the elbow-bump market?

Benefits of Voluntary Exchange:

- Encourages increased productivity and efficiency
- Encourages technological inventions and innovations

Specialization Activity

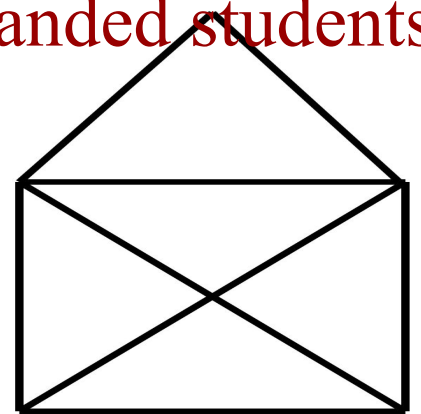
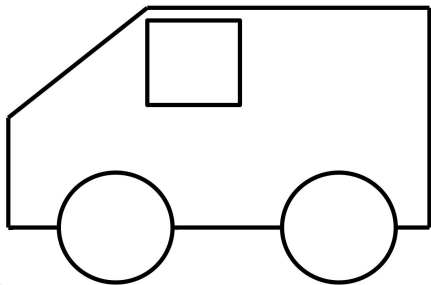
Round 1: Draw as many houses as you can with your right hand in 40 seconds.

Round 2: Draw as many cars as you can with your left hand in 40 seconds.

What is your opportunity cost for each house?

What is your opportunity cost for each car?

How might right-handed students and left-handed students specialize and trade?



Turntable Tuesday, Aug. 30 |

Wifi Wednesday, Aug. 31

Warm up: Use your Unit 1 course description and notes to quiz your neighbor on Topics 1.1 and 1.2 for today's quiz.

Learning targets: I can define absolute and comparative advantage. I can use a PPC to determine comparative and absolute advantage.

If you started this class in the first week of school, your summer assignment is due Wednesday, August 31!!



Let's Play the
Pyramid . . .

Sample Round

Sample Round

1. U.S. Constitution
2. Kamala Harris
3. High five
4. Freedom of Speech
5. What a sheep might say if it could talk

Round 1

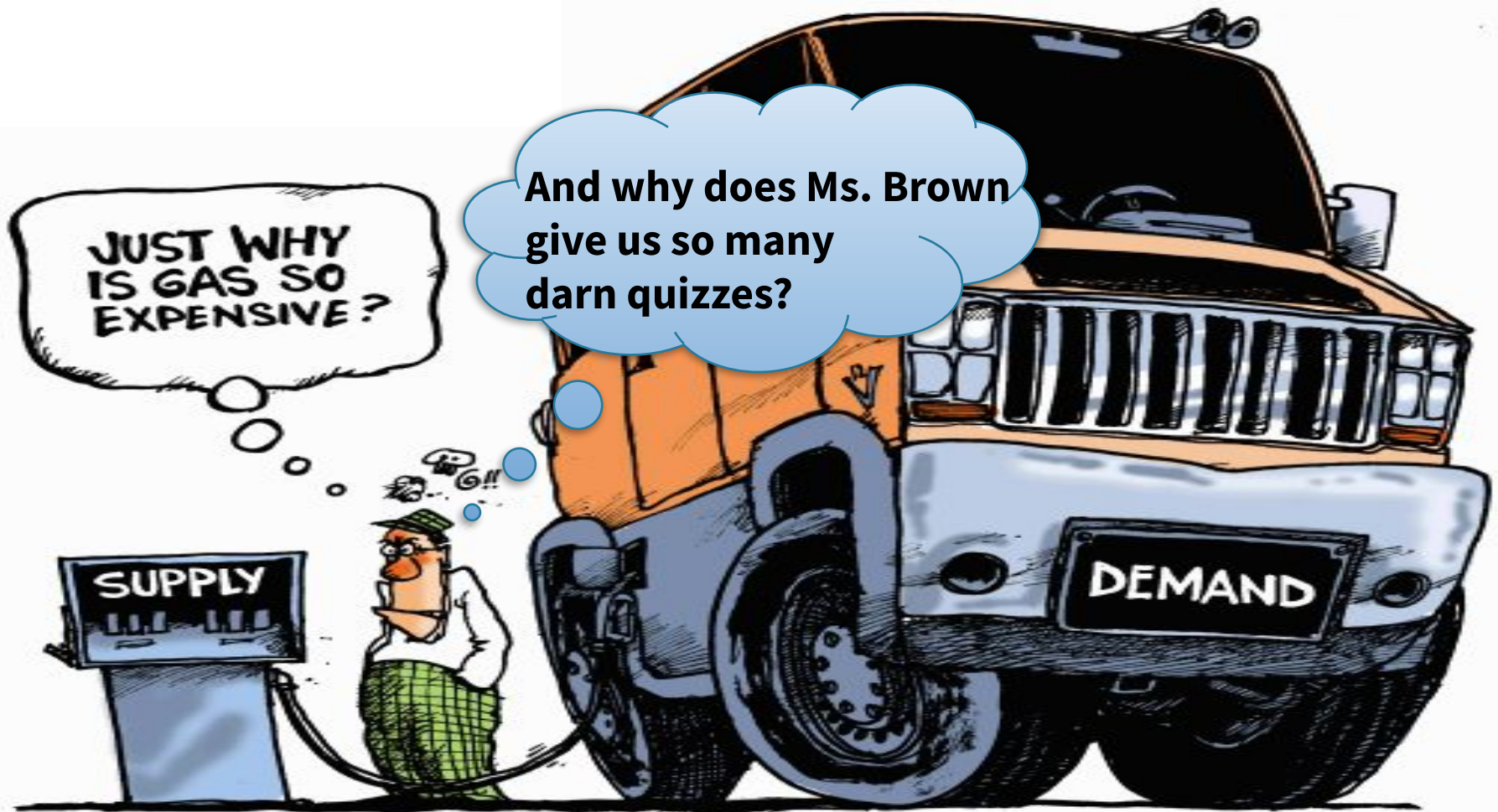
Round 1

1. Scarcity
2. First come, first served (allocation strategy)
3. Tik Tok
4. Capital (factor of production)
5. What a fish might say if it could talk
6. Trade-offs
7. The Dab

Round 2

Round 2

1. Opportunity cost
2. Random selection (allocation strategy)
3. The Super Bowl
4. Labor (factor of production)
5. What a balloon might say if it could talk
6. Land (factor of production)
7. The Whip (dance move)



JUST WHY IS GAS SO EXPENSIVE?

And why does Ms. Brown give us so many darn quizzes?

SUPPLY

DEMAND

Where have we been so far?

- Households and businesses are interdependent and they interact through the factor market and product market
- Factors of production (capital, entrepreneurship, land and labor) are needed to produce any finished good or service
- All societies experience scarcity of resources.
- Because of scarcity, societies must make choices about how to allocate scarce resources.
- All choices result in trade offs and opportunity costs.
- Societal and economic goals inform the choices that are made in economic systems.
- All societies have to answer three important questions to determine the kind of economic system they want...

Learning Target:

I can define absolute and comparative advantage

U.S. Imports and Exports



Absolute and Comparative Advantage

Absolute Advantage

- When a producer can produce the most output with the same inputs OR requires the least amount of inputs (resources) to produce a fixed amount.

Comparative Advantage

- When a producer can produce with the lowest opportunity cost.

Absolute and Comparative Advantage

- International trade is based on comparative advantage.
- Countries should specialize in producing the good that is “cheaper” for them to produce (the one for which they have a comparative advantage) and trade for other goods and services.

Per Unit Opportunity Cost

$$\text{Per Unit Opportunity Cost} = \frac{\text{Opportunity Cost}}{\text{Units Gained}}$$

Assume it costs you \$50 to produce 5 t-shirts. What is your PER UNIT cost for each shirt?

\$10 per shirt

Now, instead of producing 5 shirts you could've made 10 hats.

1. What is your PER UNIT OPPORTUNITY COST for each shirt in terms of hats given up?

1 shirt costs 2 hats

2. What is your PER UNIT OPPORTUNITY COST for each hat in terms of shirts given up?

1 hat costs 1/2 shirt

Refresher: Opportunity Cost

Ronald McDonald can produce 20 pizzas or 200 burgers
Pizza Hut can produce 100 pizzas or 200 burgers



Per Unit Opportunity Cost

Ronald McDonald can produce 20 pizzas or 200 burgers

Pizza Hut can produce 100 pizzas or 200 burgers

1. What is Ronald's opportunity cost for one pizza in terms of burgers given up? **1 pizza costs 10 burgers**
2. What is Ronald's opportunity cost for one burger in terms of pizza given up? **1 burger costs 1/10 pizza**
3. What is **Pizza Hut's** opportunity cost for one pizza in terms of burgers given up? **1 pizza costs 2 burgers**
4. What is **Pizza Hut's** opportunity cost for one burger in terms of pizza given up? **1 burger costs 1/2 pizza**

Per Unit Opportunity Cost

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Per Unit Opportunity Cost Review

Ronald McDonald can produce 20 pizzas or 200 burgers
Papa John can produce 100 pizzas or 200 burgers

Ronald has a COMPARATIVE ADVANTAGE in the production of burgers.

Papa John has a COMPARATIVE ADVANTAGE in the production of pizza.

I know a guy who knows a guy...

Who Should Do What?

Nino owns a pizza shop. He is very good at what he does. In one hour he can make 9 pizzas or prepare 36 salads. His business is growing and he needs to hire someone to help prepare pizzas and salads. Tony has applied for the job and seems like a reliable individual. In 1 hour Tony can make 6 pizzas or prepare 12 salads. Nino plans to hire Tony. Since Nino can make more pizzas in an hour and prepare more salads in an hour than Tony, he has a dilemma. Should he have Tony make pizzas or prepare salads?

- A. The opportunity cost of producing 9 pizzas for Nino is _____ salads. The opportunity cost of producing 1 pizza is _____ salads.
- B. The opportunity cost of producing 6 pizzas for Tony is _____ salads. The opportunity cost of producing 1 pizza is _____ salads.
- C. The opportunity cost of preparing 36 salads for Nino is _____ pizzas. The opportunity cost of preparing 1 salad is _____ pizzas.
- D. The opportunity cost of preparing 12 salads for Tony is _____ pizzas. The opportunity cost of preparing 1 salad is _____ pizzas.
- E. Who has the lower opportunity cost for making pizzas? _____
- F. Who has the lower opportunity cost for preparing salads? _____
- G. Who should produce pizzas? _____ Salads? _____
- H. How will specialization affect the running of the pizza shop?

Thrilling Thursday, Sep. 1 | Frilly Friday, Sep. 2

Warm up, TTYN re.:

1. Explain relationship between scarcity and choices.
2. Differentiate between positive & normative economics.
3. Differentiate between price and cost.** (Make your best guess)
4. Differentiate between consumer and capital goods.
5. Differentiate btw command economies and free market economies.
6. Give examples of each of the 4 Factors of Production.
7. Define human capital.
8. Define tradeoffs.
9. Define opportunity cost.
10. Name 10 different teachers at this school.

Learning target: I can explain how trade based on specialization can lead to increased consumption. I can use comparative advantage to determine beneficial terms of trade. (Topic 1.3)

	Wheat produced per one acre	Sugar produced per one acre
USA	30	30
Brazil	10	20

Free Response Questions

When you do a FRQ don't forget to R.O.L.L.

READ the entire question first

ORGANIZE your answer

LIST your answers like the question

LABEL everything

FRQ Words

- **“Show”**: diagram or draw w/ correct labeling
- **“Explain”**: take reader through all of the steps (graphs and symbols are acceptable!)
- **“Identify”**: provide a specific answer (could be list or a label on a graph without any explanation)
- **“Calculate”** means to use math (show your work!)

OR: **“Draw”**

OR: **“Indicate”**

Fun Set 1.2 Do These Parts:

- Page 1: Japan/Canada
- Page 2: Kenya/India, Newland/Beeland, Rayland/Artland
- Page 3: #s 26, 32, 33
- Page 4: All questions
- Don't do any terms of trade questions yet . . .