

Date:

Name:

## Lecture 2: Introduction to International Economics (International Trade)

### 2.1. Scenario

Consider this situation. There are only 2 countries in the world- USA and UK. Both USA and UK produce 2 types of goods- Mobile phones and MP3 Players. The production from the two countries and represented in table 1.

**Table 1**

	Mobile Phones	MP3 Players
USA	200	100
UK	100	200
Total Output	300	300

- (a) Should there be trade between USA and UK?
- (b) Under what conditions?

### 2.2. International Trade: A brief history

International Trade was a chief concern for the founders of modern economic thought. The great 19<sup>th</sup> Century British Philosopher, David Hume, developed an argument to limit trade. But it was Adam Smith (5 June 1723 – 17 July 1790), a Scottish professor of Moral Philosophy.

**ICT:** What was Smith's contribution to modern day International Trade? What assumptions did he make about human nature to justify his theory?

