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TRADE

- What is Trade ?
- The Advantage of Trade

In 1776 the Scottish economist Adam Smith, in *The Wealth of Nations*, proposed that specialization in production leads to increased output. Smith believed that in order to meet a constantly growing demand for goods, a country's scarce resources must be allocated efficiently. According to Smith's theory, a country that trades internationally should specialize in producing only those goods in which it has an absolute advantage—that is, those goods it can produce more cheaply than can its trading partners. The country can then export a portion of those goods and, in turn, import goods that its trading partners produce more cheaply. Microsoft ® Encarta ® Reference Library 2005. © 1993-2004 Microsoft Corporation. All rights reserved.

- Government Restriction
 1. Import Quotas
 2. Tariffs
 3. Non tariffs barrier to trade (for ex. government health and safety regulations, business codes of conduct, and domestic tax policies)
- The Ethics of Trade (Deal in something)

Woe to those that deal in fraud¹ (1), Those who, when they have to receive by measure from men, exact full measure (2), But when they have to give by measure or weight to men, give less than due (3), Do they not think that they will be called to account ? (4), On a Mighty Day (5), A Day when mankind will stand before the Lord of The Worlds (6), (QS 83:1-6)

¹ General term for any instance in which one party deceives or takes unfair advantage of another

1. **vi buy and sell goods:** to take part in buying and selling goods for trade
2. **vt exchange something:** to give and receive something alternately with somebody else
 - trading punches
3. **vt deal in something:** to buy and sell a particular commodity
4. **vti make an exchange:** to make an exchange, or exchange somebody or something for another
 - Each had something the other wanted and they were happy to trade.
5. **vi shop or buy regularly from business:** to shop or buy something regularly at a particular place of business **Microsoft® Encarta® Reference Library 2005. © 1993-2004 Microsoft Corporation. All rights reserved.**



