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Welcome back to Economics Club!

2/3/2021 General Meeting

Team Activity System

- Google drive folders have been shared with your team
- All activities should be completed within the folder so that we can keep track of participation
  - For summaries, etc., simply create a new Google Doc and title it with whatever activity you're completing!
- The team that collects the most coins from now until the 1st round of the NEC will receive special prizes!
- For members who are not competing in the NEC: we have put you into teams as well so that you can participate in this activity system!

Team Activity System

- Every 2 weeks (after each general meeting), we will create a google doc with questions from previous NEC tests in your team's drive. By completing a quiz, your team will receive 30 coins, and for **each** question that is correct, 2 more coins will be awarded.
- Additional activities can be completed (see below) for coins! These activities should be uploaded/completed through your team's google drive.
- By the beginning of the competition (around 2 months later), the team with the largest number of coins will receive a special prize!

Activity	Coins
Watch 1 Crash Course Economics Video & write a paragraph summary.	20
Watch 1 Jacob Clifford ACDC Econ Video & write a summary.	10
Complete Bi-weekly Quiz as a team (15 Questions).	30; +2 more coins for each Q correct - 60 points possible (total)
Create Flashcards on an economics topic through Quizlet.	40
Read a book about economics and write a summary w/ title of the book.	50
Read an news article about real world economics/current events and write a short summary.	30

*Note: Additional activities may be added later.

- Comparative & Absolute Advantage
  - Why trade?
  - Calculations
  - Terms of Trade
- Kahoot!

- Assume people didn't trade. What things would you no longer have?
  - Everything you don't produce yourself!
  - Everyone specializes in the production of goods and services and trades with others.
- More access to trade means more choices and a higher standard of living.

Absolute & Comparative Advantage

- **Absolute Advantage**
  - The producer that can produce the most output OR requires the least amount of inputs.
    - Example: The US can produce more cell phones and more planes than other countries.

Absolute & Comparative Advantage

- **Comparative Advantage**
  - The producer with the lowest opportunity cost.
    - Example: The US specializes in producing planes because it has a lowest opportunity cost.

Absolute and Comparative Advantage

- Countries should specialize and trade if they have a relatively lower opportunity cost than another country.

Calculating Opportunity Cost

- Per Unit Opportunity Cost = Opportunity Cost/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, take money out of the equation. Instead of producing 5 shirts, you could have 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 ½ shirt

Calculating Opportunity Cost - Example

	Wheat	Sugar
USA	30	30
Brazil	10	20

	Wheat	Sugar
USA	30	30
Brazil	10	20

The US has an absolute advantage in BOTH

Calculating Opportunity Cost - Example

	Wheat	Sugar
USA	**30** (1W costs 1S)	**30** (1S costs 1W)
Brazil	**10** (1W costs 2S)	**20** (1S costs 1/2W)

The US has a lower opportunity to produce wheat
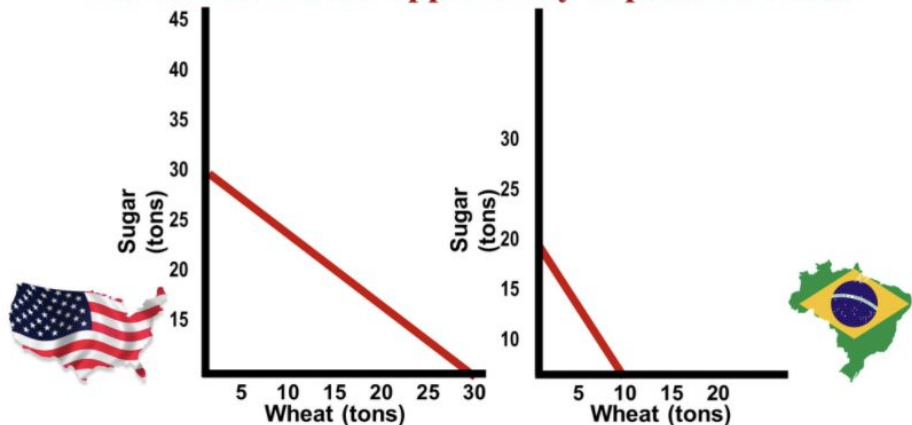
	Wheat	Sugar
USA	**30** (1W costs 1S)	**30** (1S costs 1W)
Brazil	**10** (1W costs 2S)	**20** (1S costs 1/2W)

Brazil has a lower opportunity to produce sugar
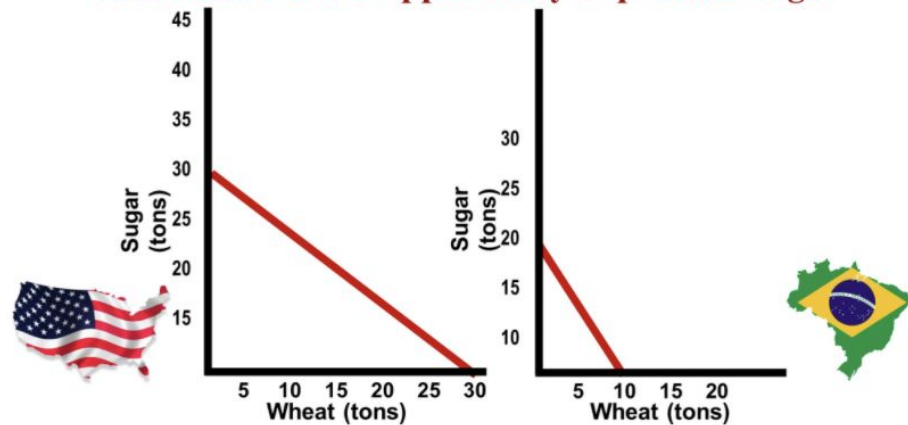
Comparative Advantage

Calculating Opportunity Cost - Example

	Wheat	Sugar
USA	30 (1W costs 1S)	30 (1S costs 1W)
Brazil	10 (1W costs 2S)	20 (1S costs 1/2W)

1. Which country should EXPORT Sugar?
2. Which country should EXPORT Wheat?
3. Which country should IMPORT Wheat?

USA graph — Sugar (tons) vs Wheat (tons)

Brazil graph — Sugar (tons) vs Wheat (tons)
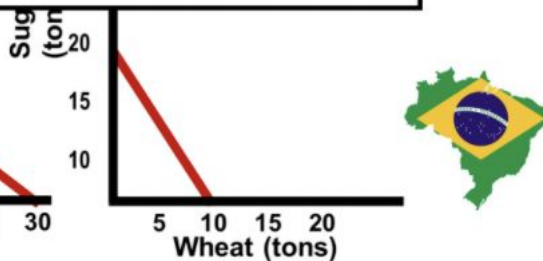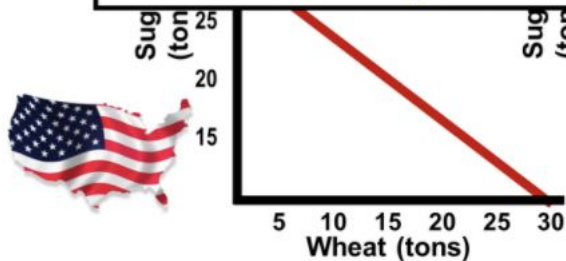
1. Export sugar - Brazil
2. Export Wheat - USA
3. Import Wheat - Brazil

Terms of Trade

- The terms of trade are an agreement between two countries regarding how much of each product in terms of the other product is being traded.
- Terms of trade are usually set based on mutual advantage (advantageous to both countries)

Terms of Trade - Example

	Wheat	Corn
United States	100 (1 wheat = 2 corn)	200 (1 corn = ½ wheat)
Canada	50 (1 wheat = 6 corn)	300 (1 corn = ⅙ wheat)

- In order to create a "terms of trade" that will benefit both countries, we must look at the comparative advantage chart.
- Looking at the first column, any number between 2 and 6 corn will be beneficial to both countries (ex. 1 wheat for 3 corn or 1 wheat for 4 corn)
- Looking at the second column, any number between ½ and ⅙ will benefit both countries (ex. 1 corn for ⅓ wheat or 1 corn for ¼ wheat)

Kahoot!

https://create.kahoot.it/share/absolute-and-comparative-advantage/a13ed6a2-1f2d-4817-ac9f-fe0397ce2fe6

Reminders

- Remember to complete your team quizzes before next meeting!

Questions?

Suggestions?

Comments?

Concerns?

Website: phuhseconomics.weebly.com

BE SURE TO JOIN OUR REMIND!!!
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NEXT MEETING: 2/17/2021 via Teams