Public Affairs 856
Trade, Competition, and Governance in a Global Economy

Lecture 2-3

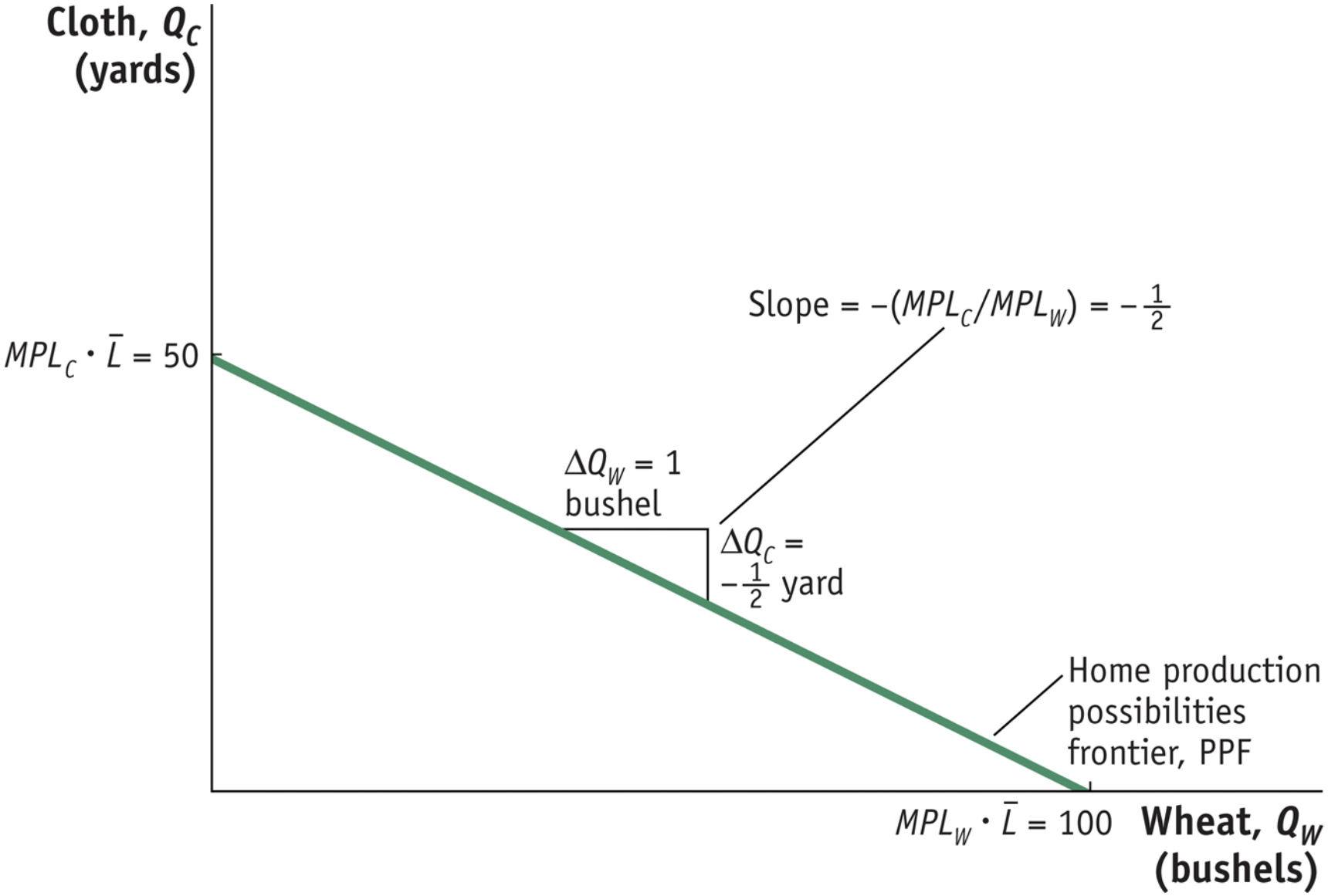
1/23-25/2017

Instructor: Prof. Menzie Chinn
UW Madison

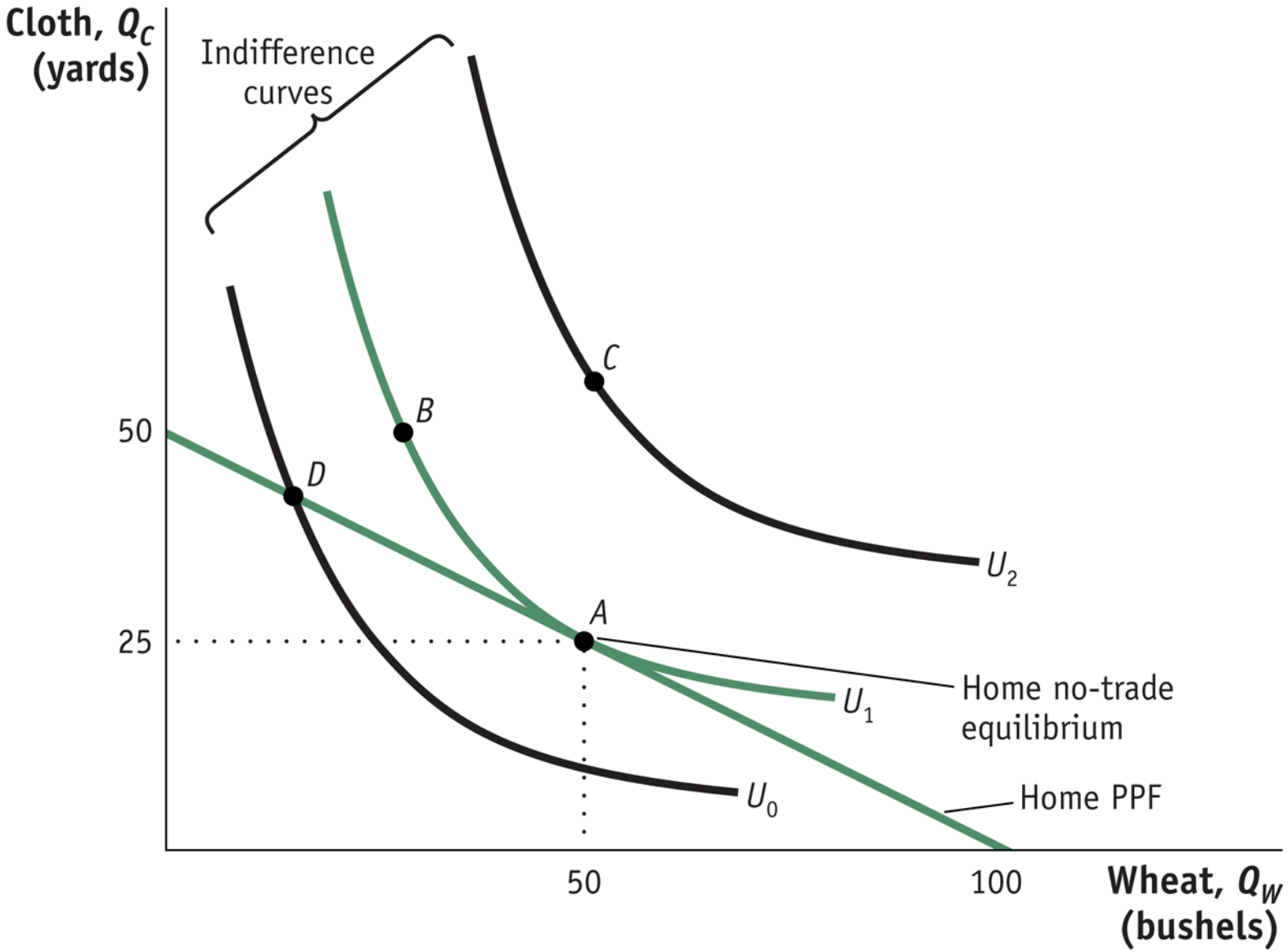
Spring 2017

Technological Parameters

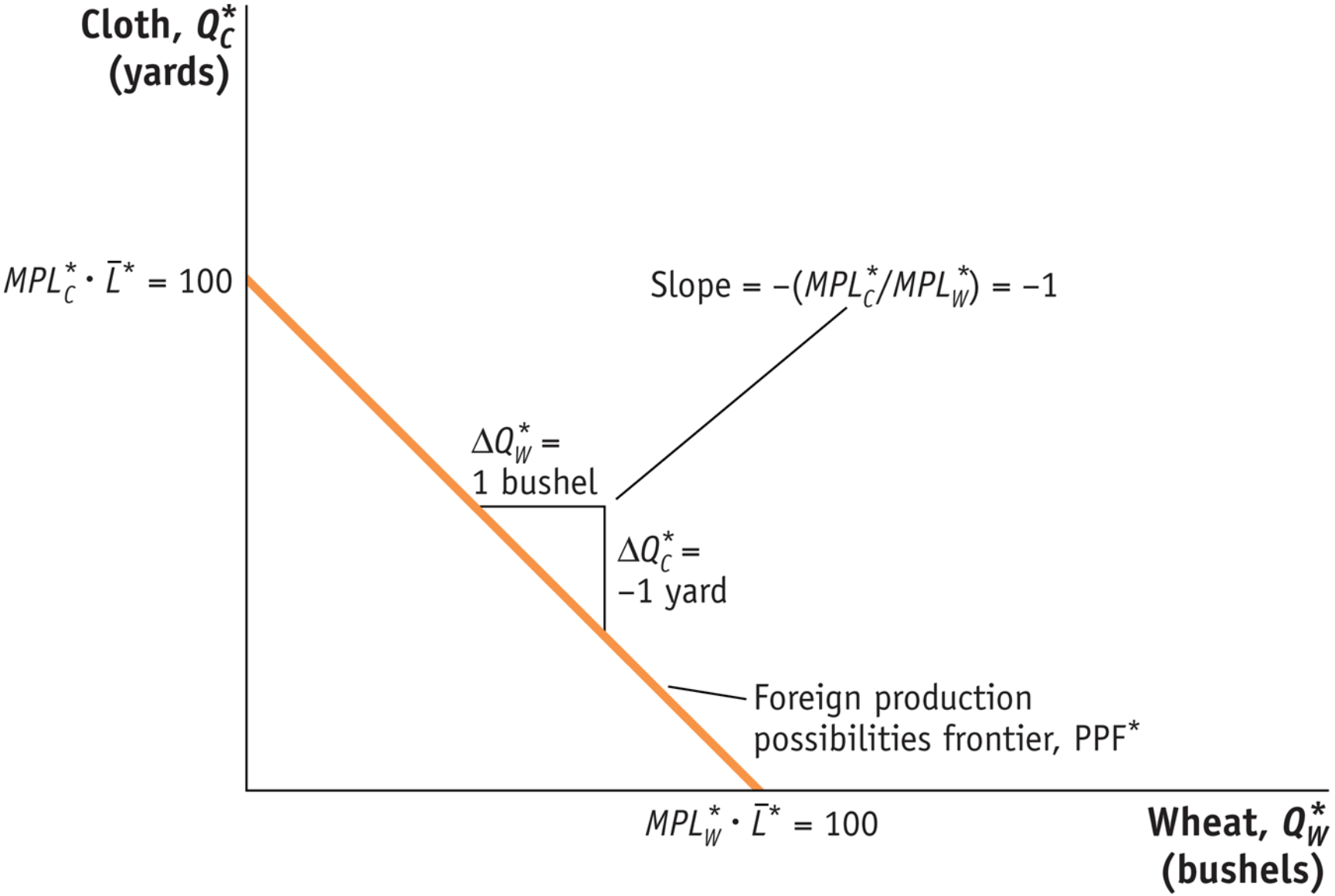
- MPLw = 4
- MPLc = 2
- MPLw* = 1
- MPLc* = 1



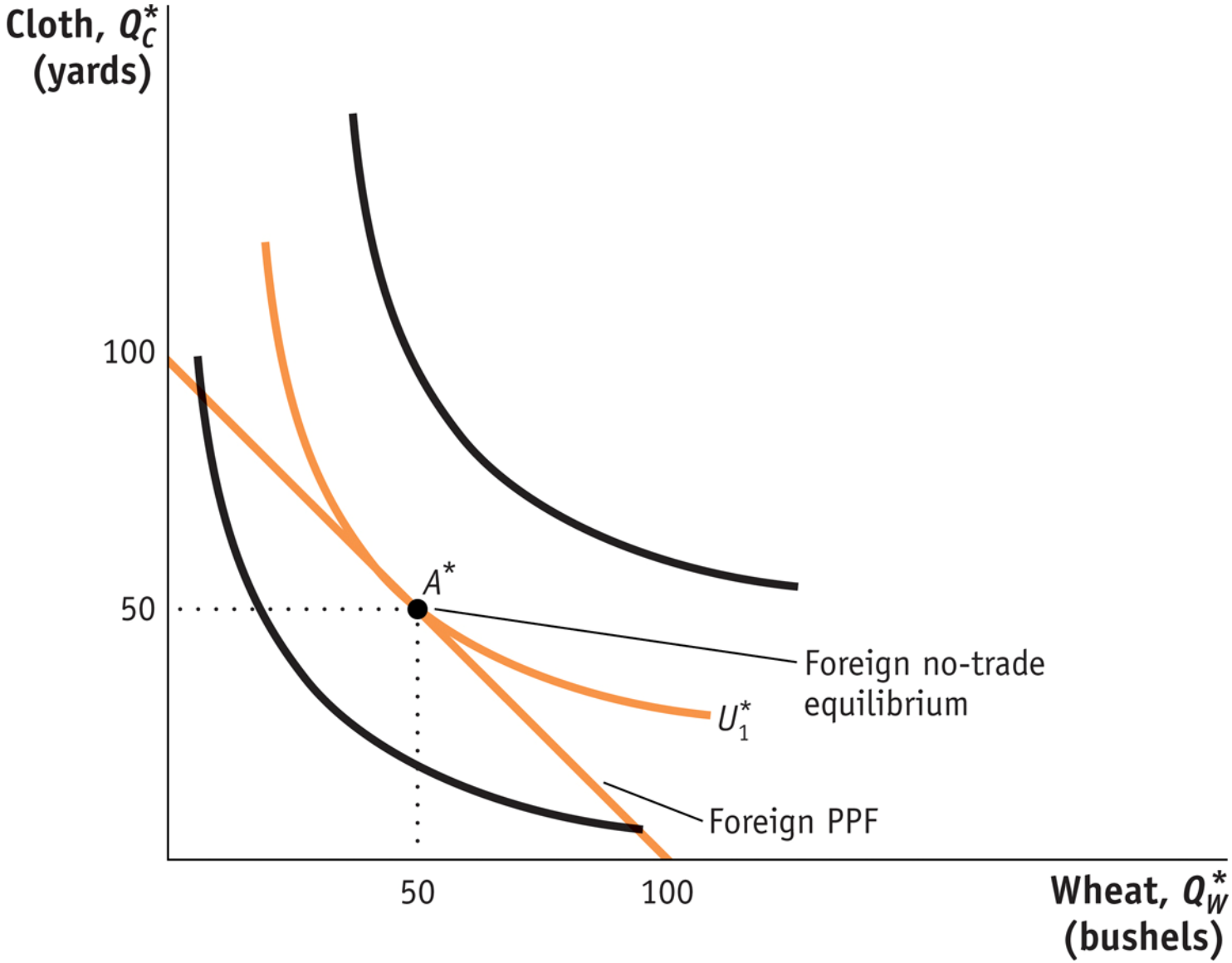
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



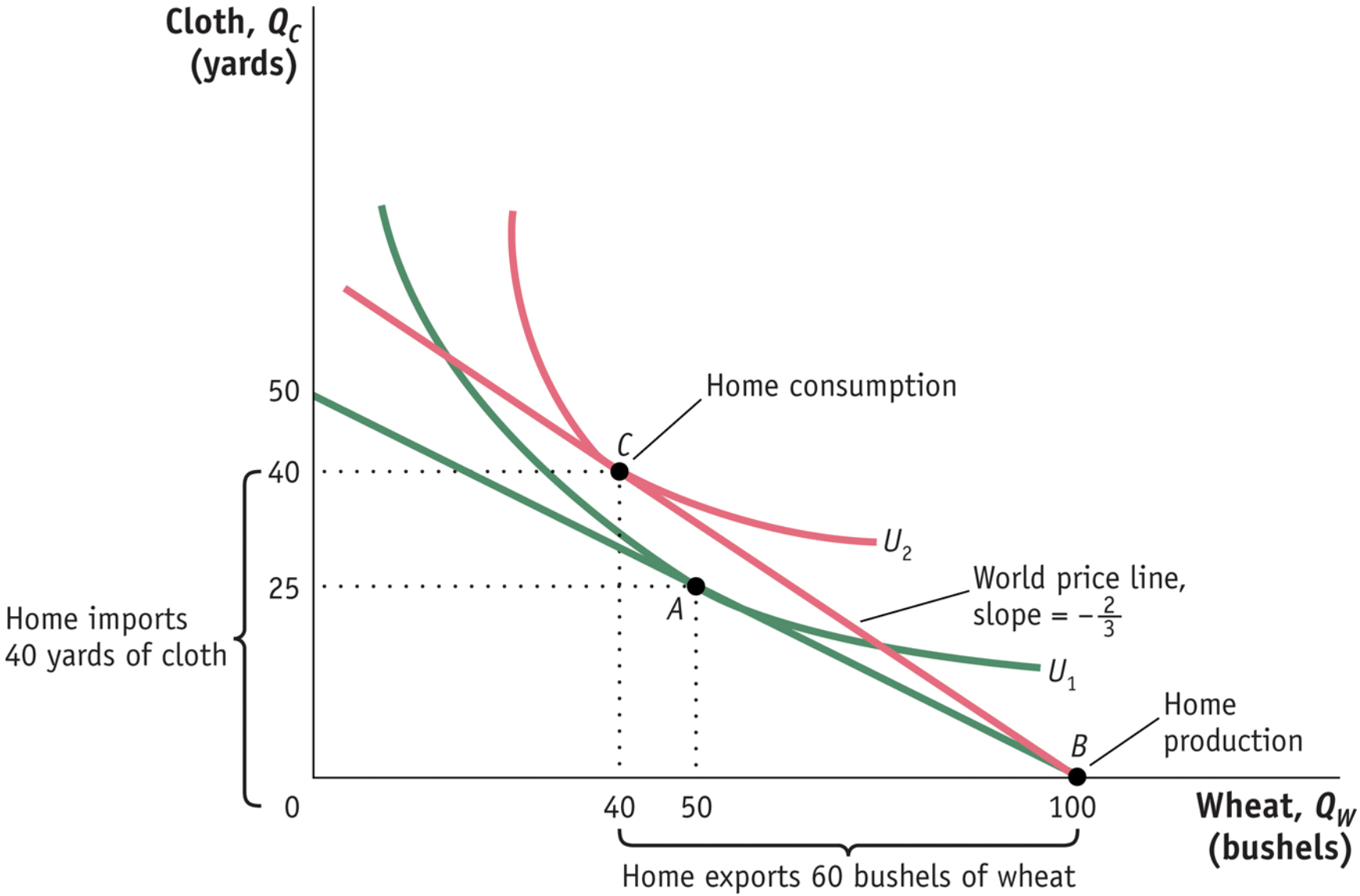
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



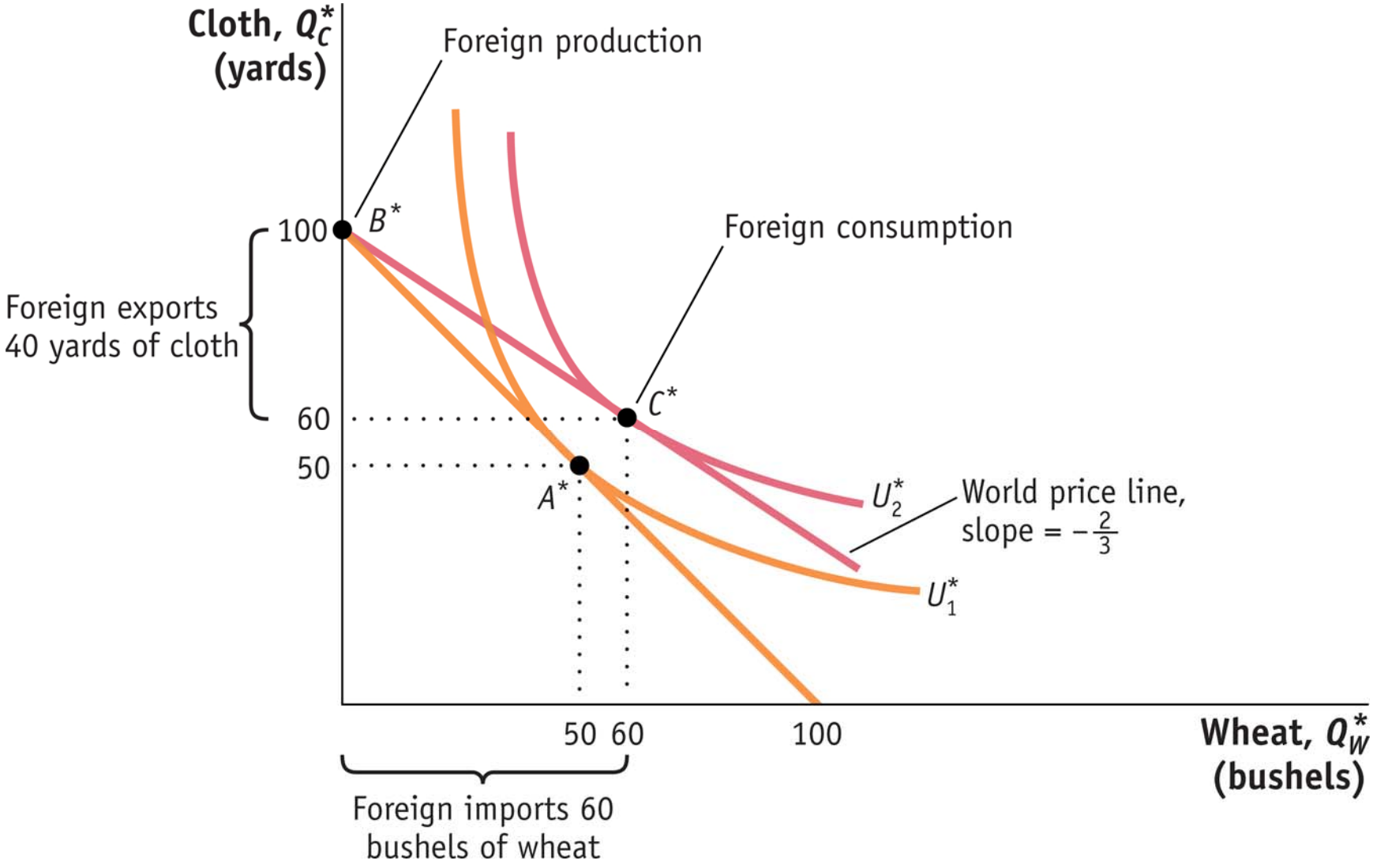
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers

	United States	China	Absolute Advantage
	Sales/Employee	*Sales/Employee*	*U.S./China Ratio*
Apparel	$56,000	$23,000	2.4
Textiles	$165,000	$27,000	6.1
	Bushels/Worker	*Bushels/Worker*	*U.S./China Ratio*
Wheat	12,260	300	41
	Comparative Advantage		
Wheat/apparel ratio	0.22	0.01	
Wheat/textile ratio	0.07	0.01	

Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers

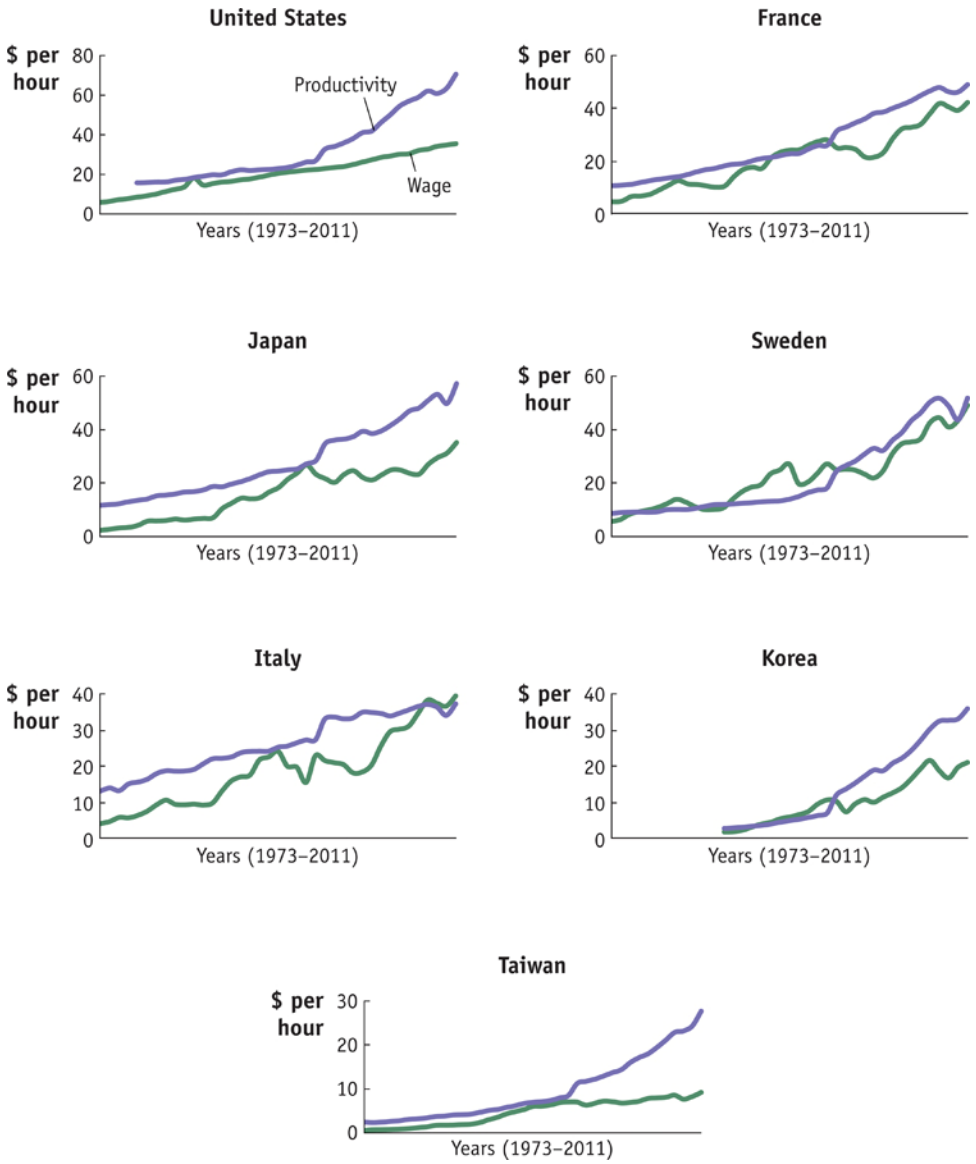


Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers

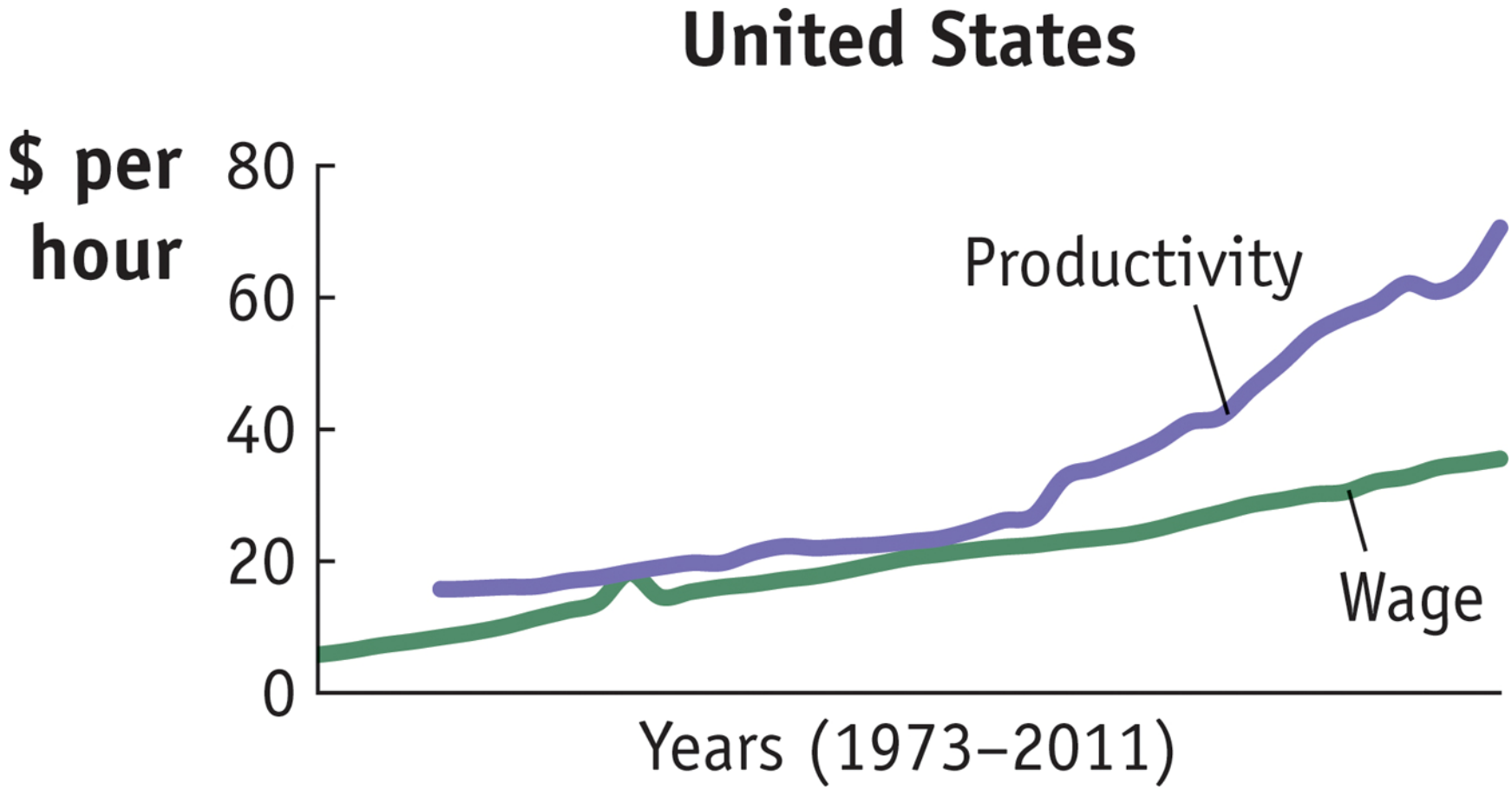
Real Wage Determination

- Note that Pw/Pc is relative price = 2/3
- Home Wage
- MPLw = 4 bushels or
- (Pw/Pc) × MPLw = 8/3 yards
- Foreign Wage
- (Pc*/Pw*) × MPLc* = 3/2 bushels or
- MPLc* = 1 yard

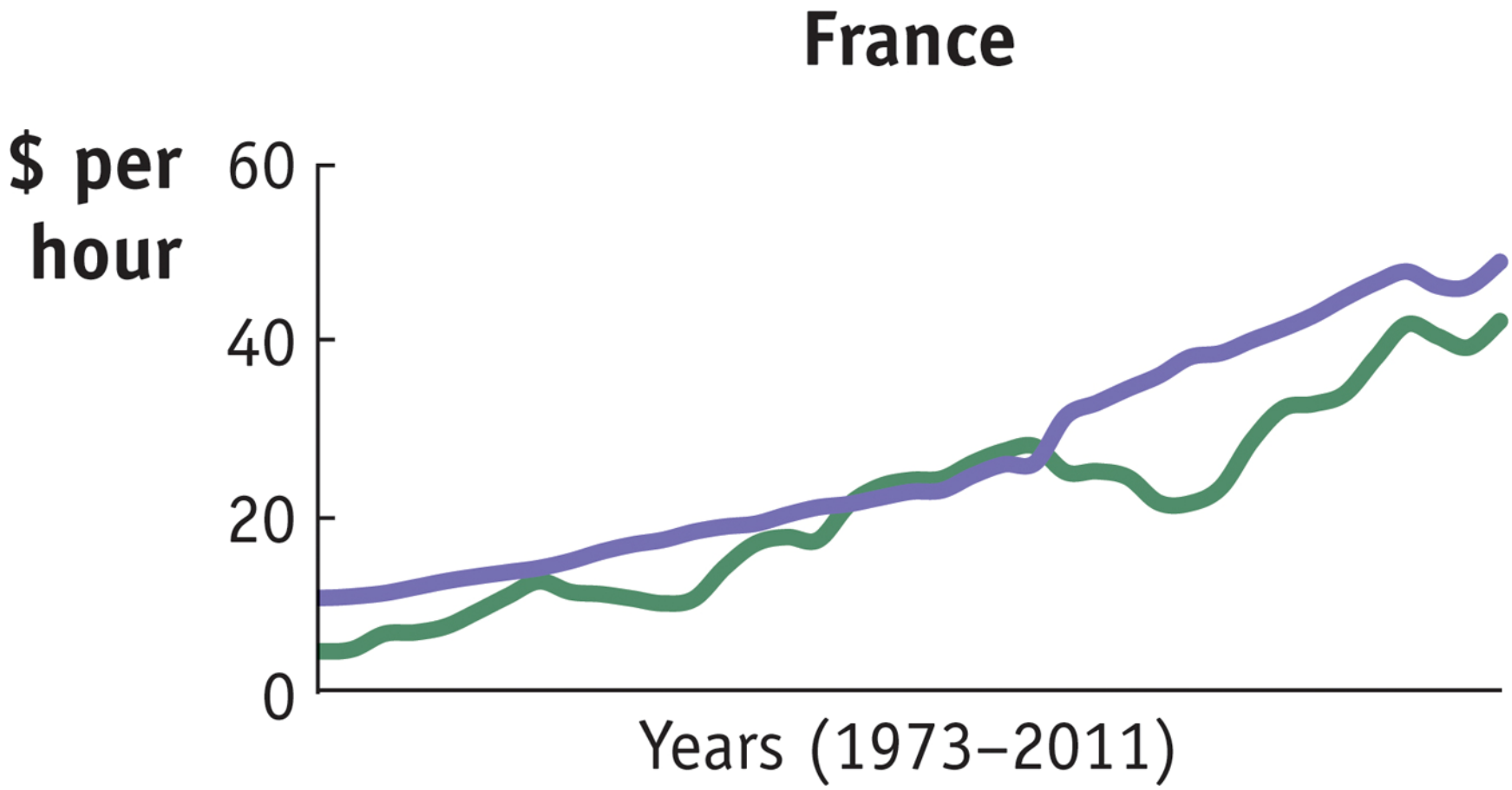
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



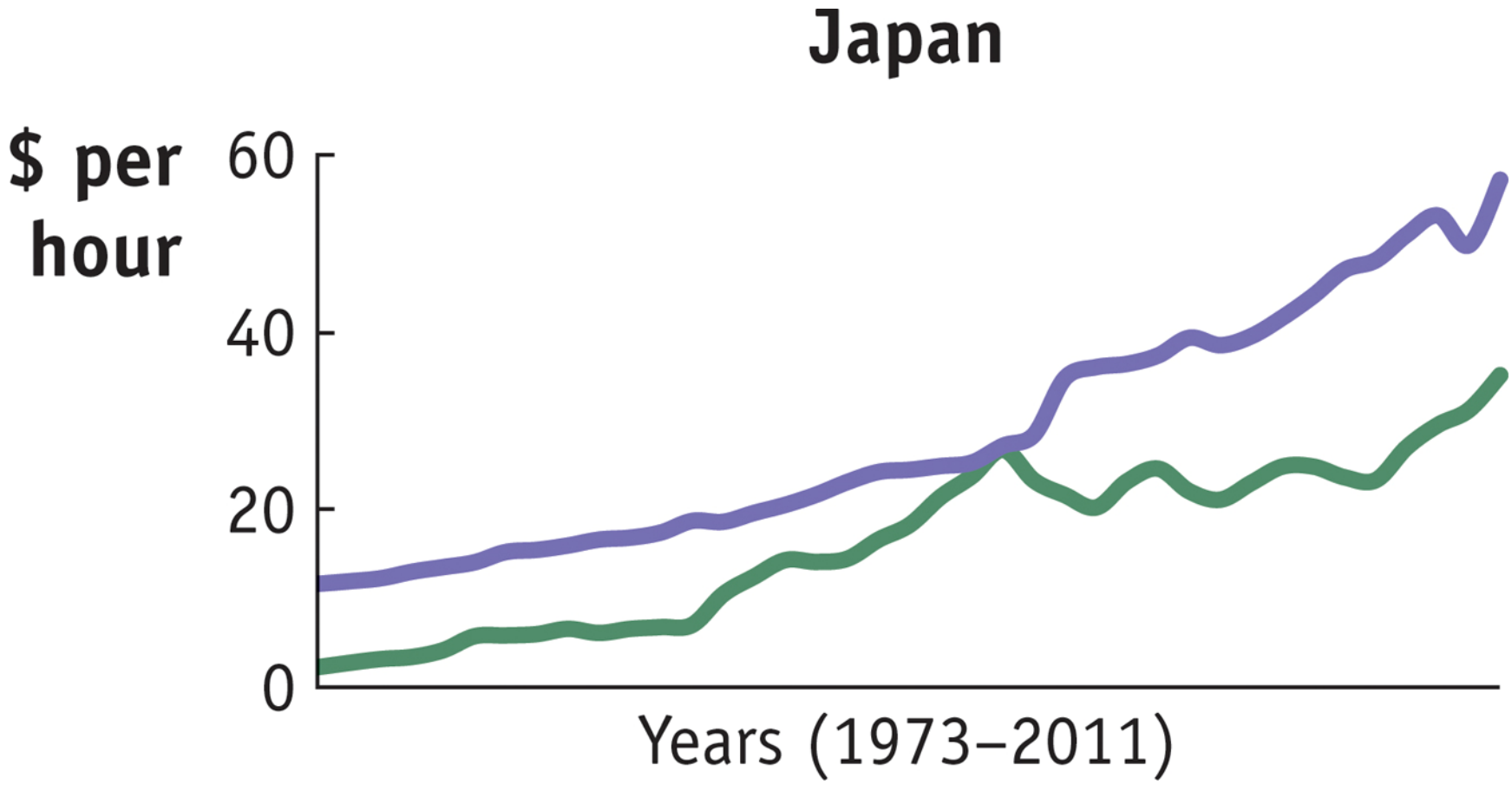
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



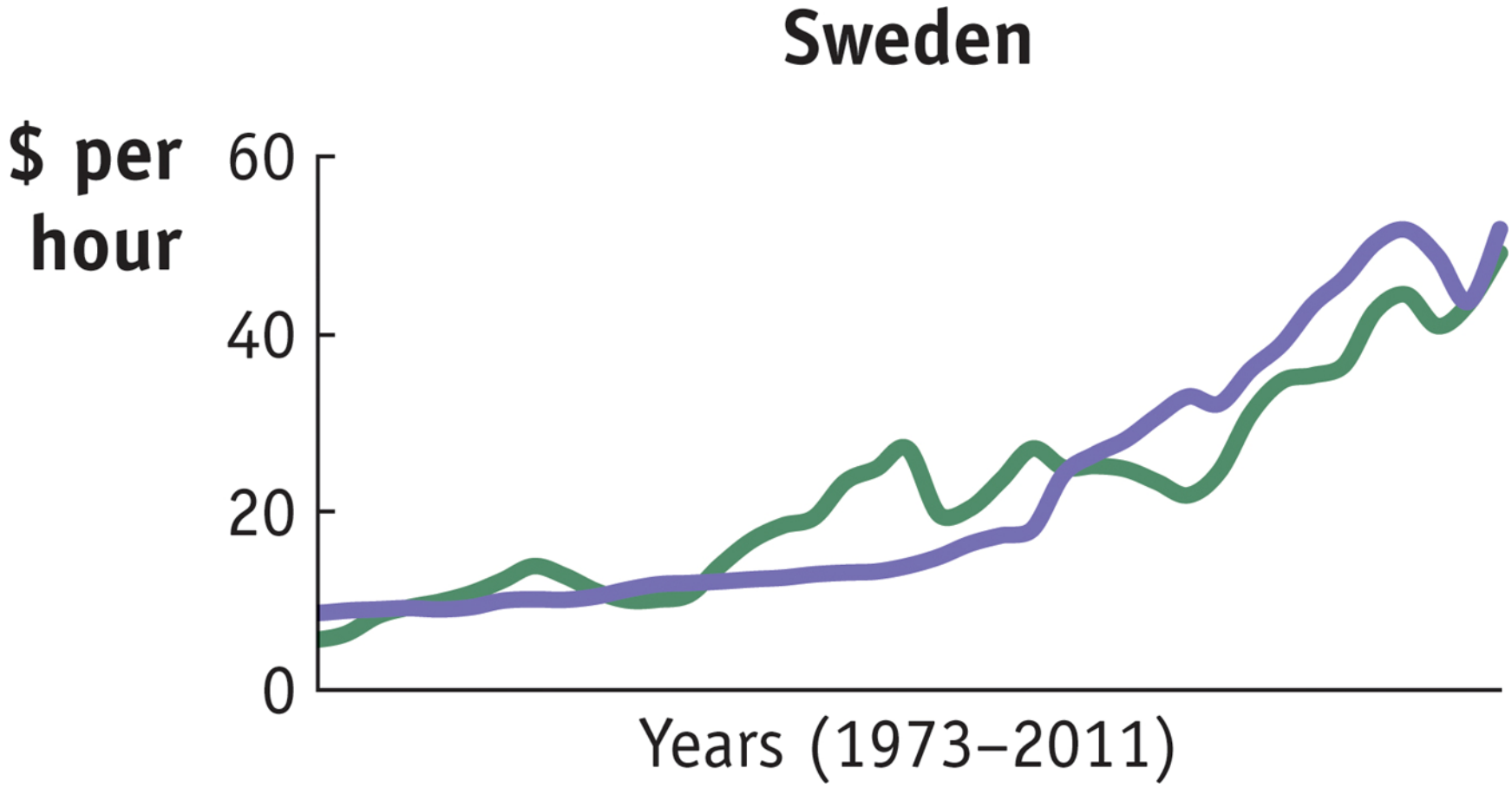
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



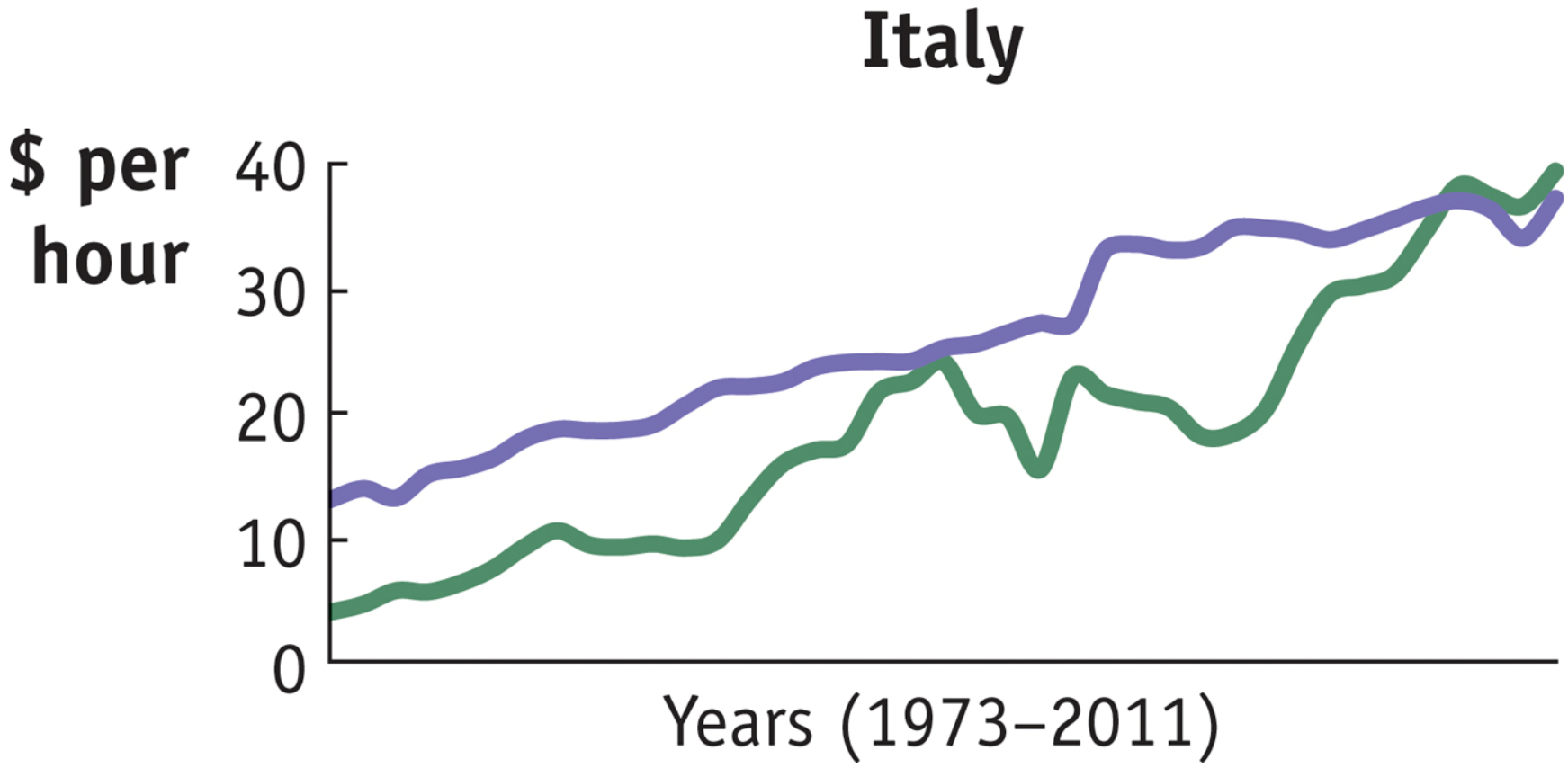
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



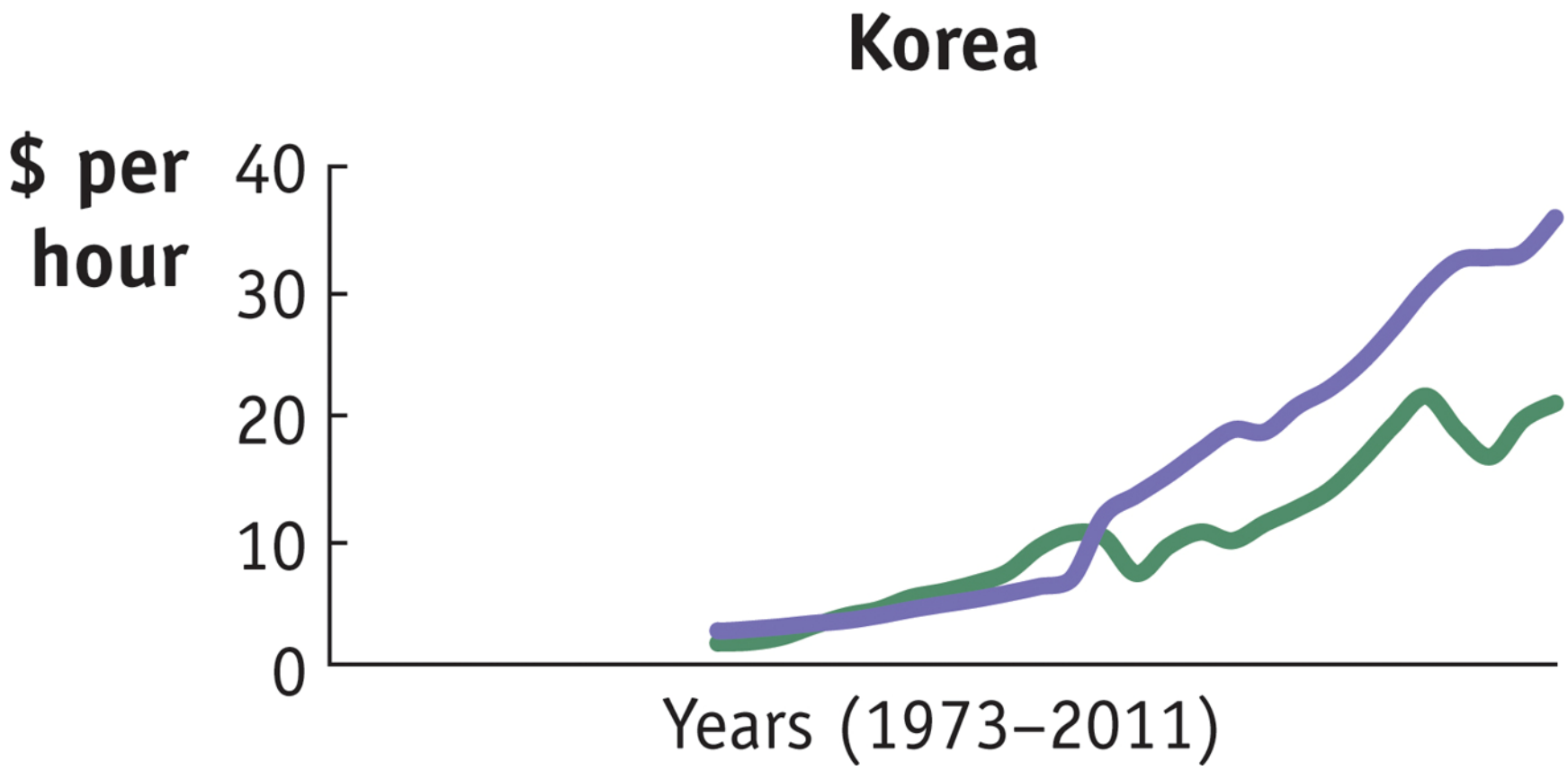
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



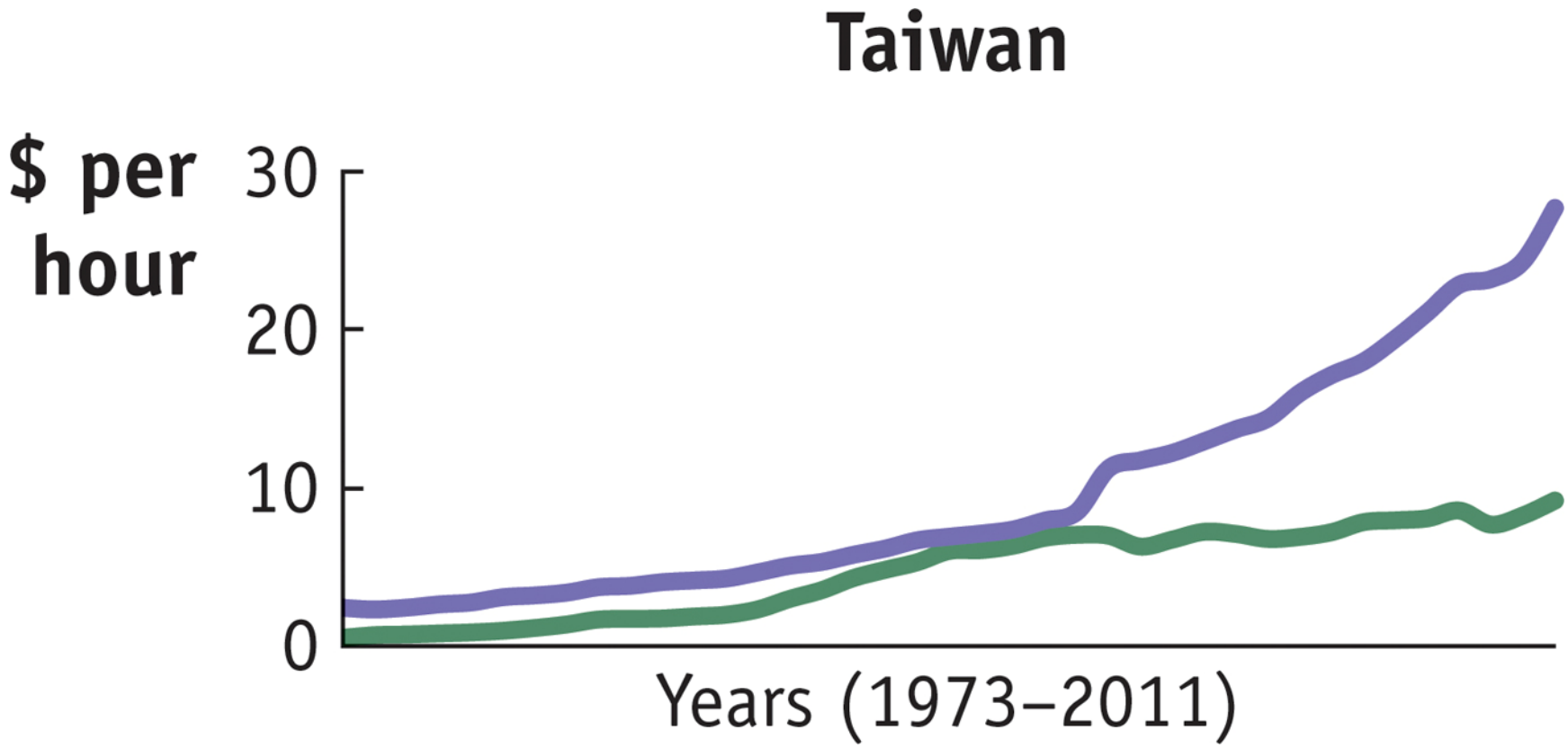
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



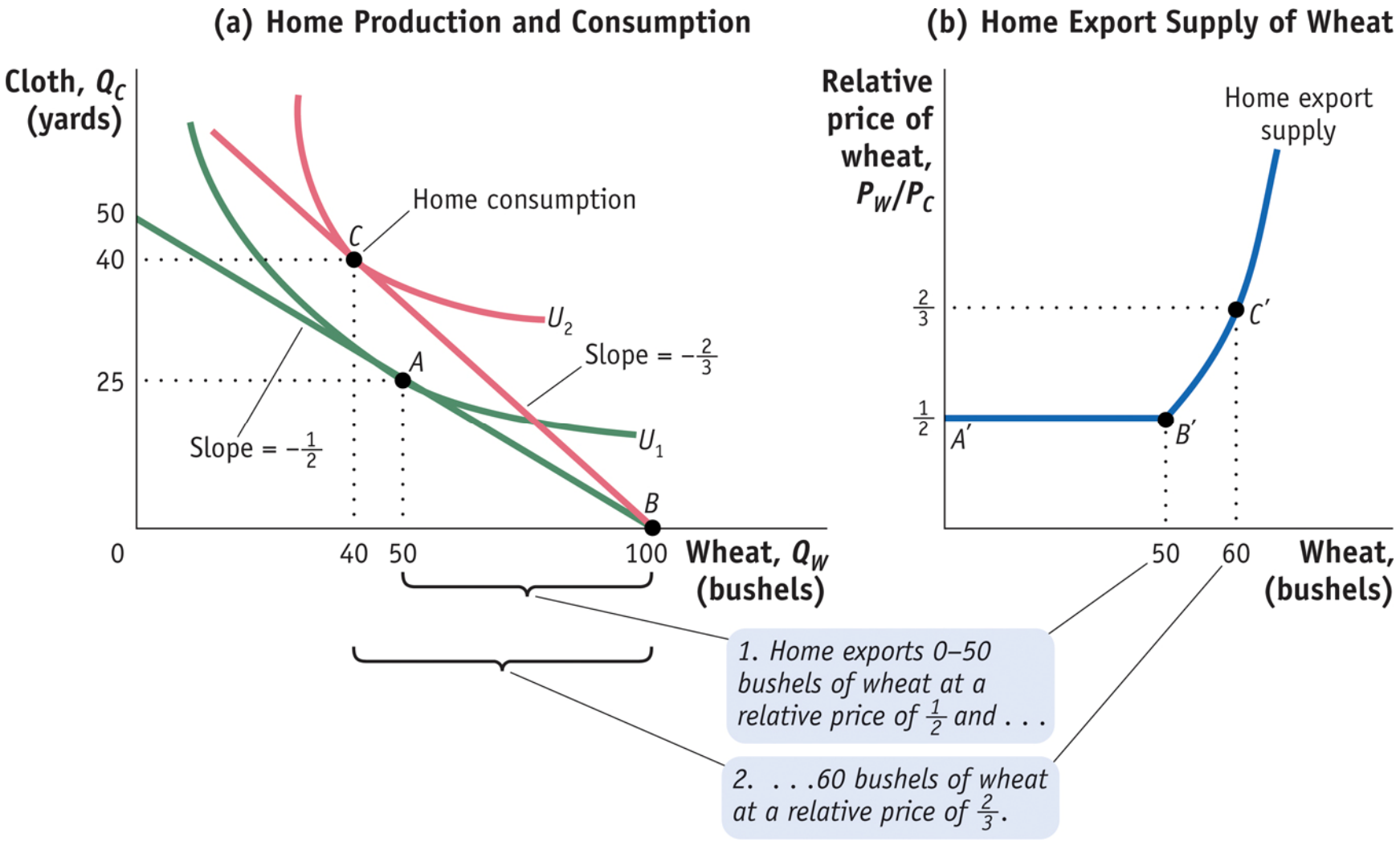
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



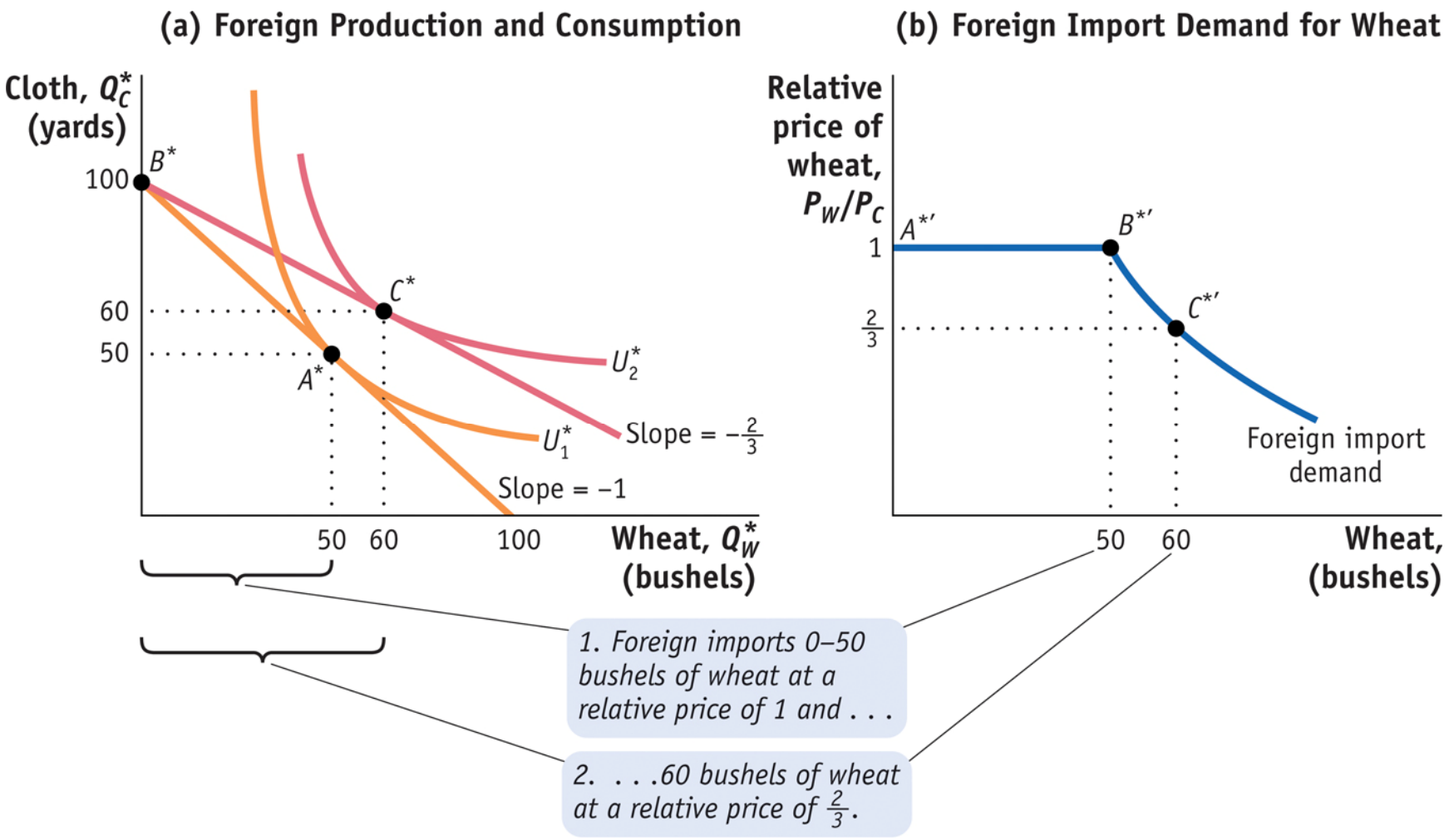
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



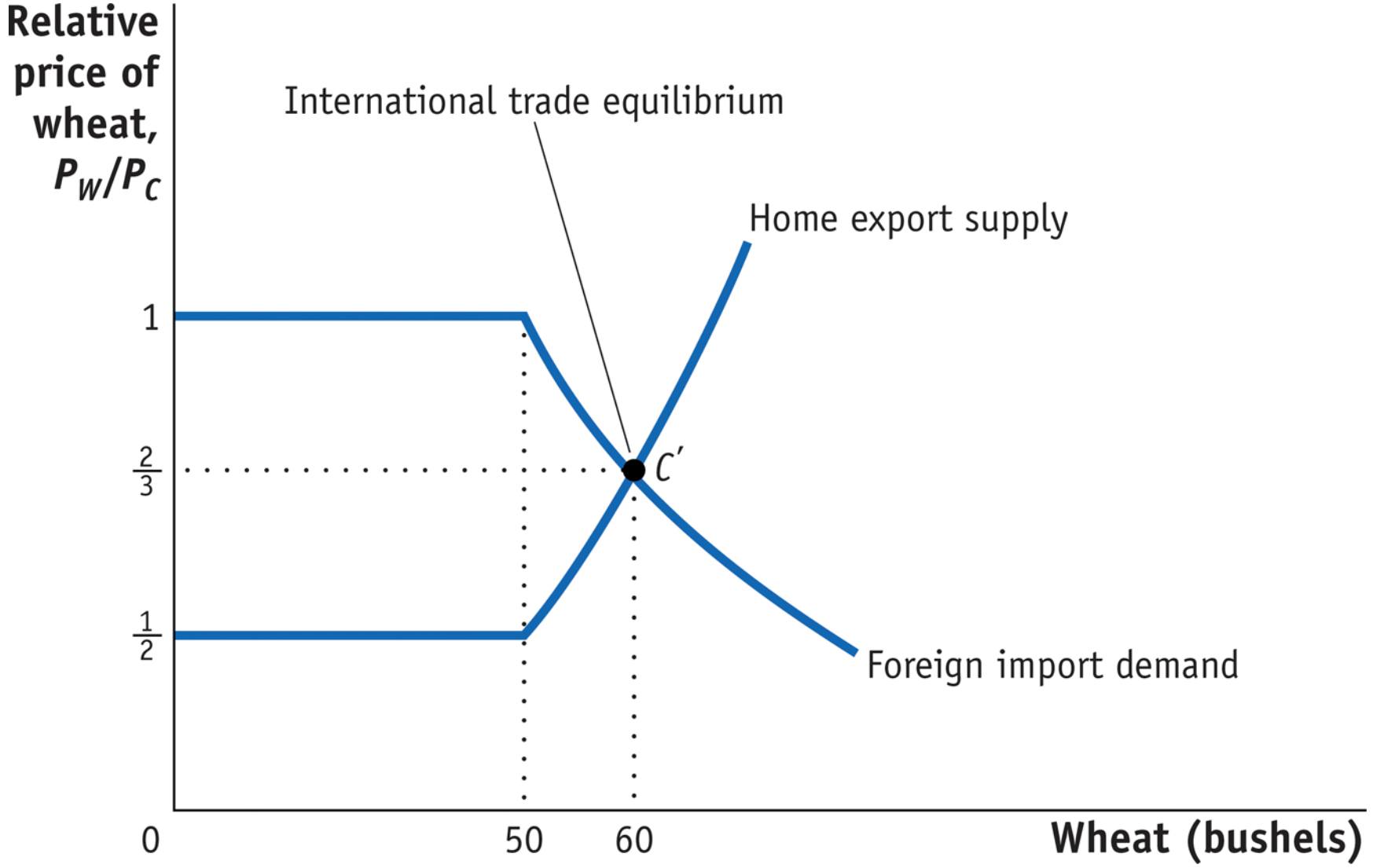
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



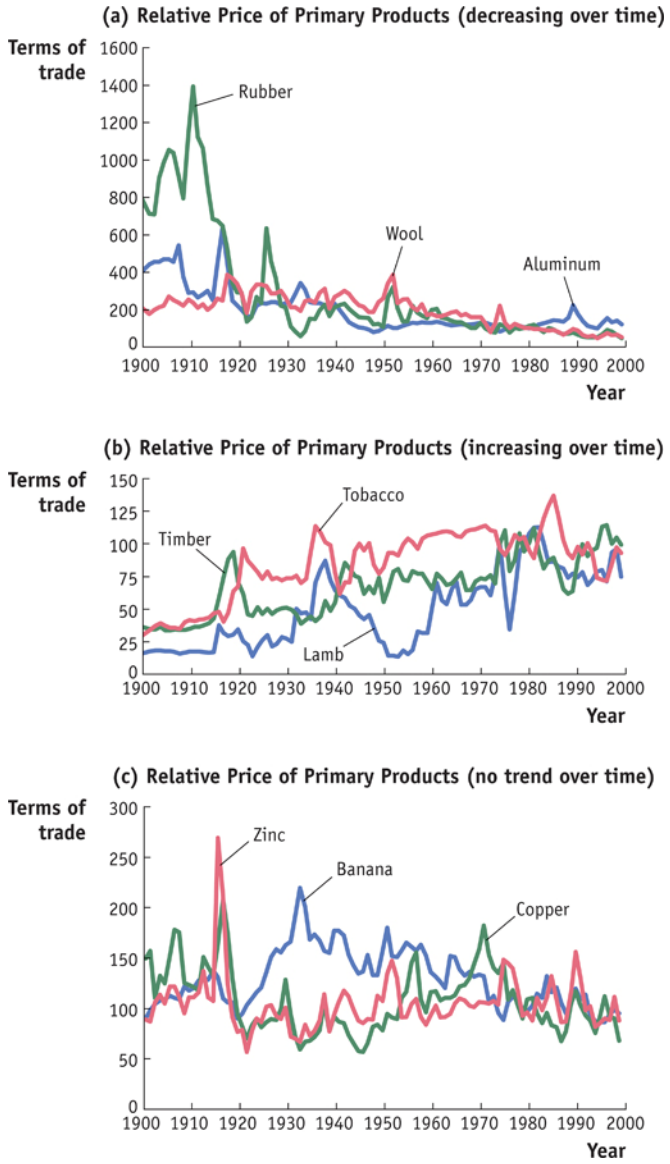
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



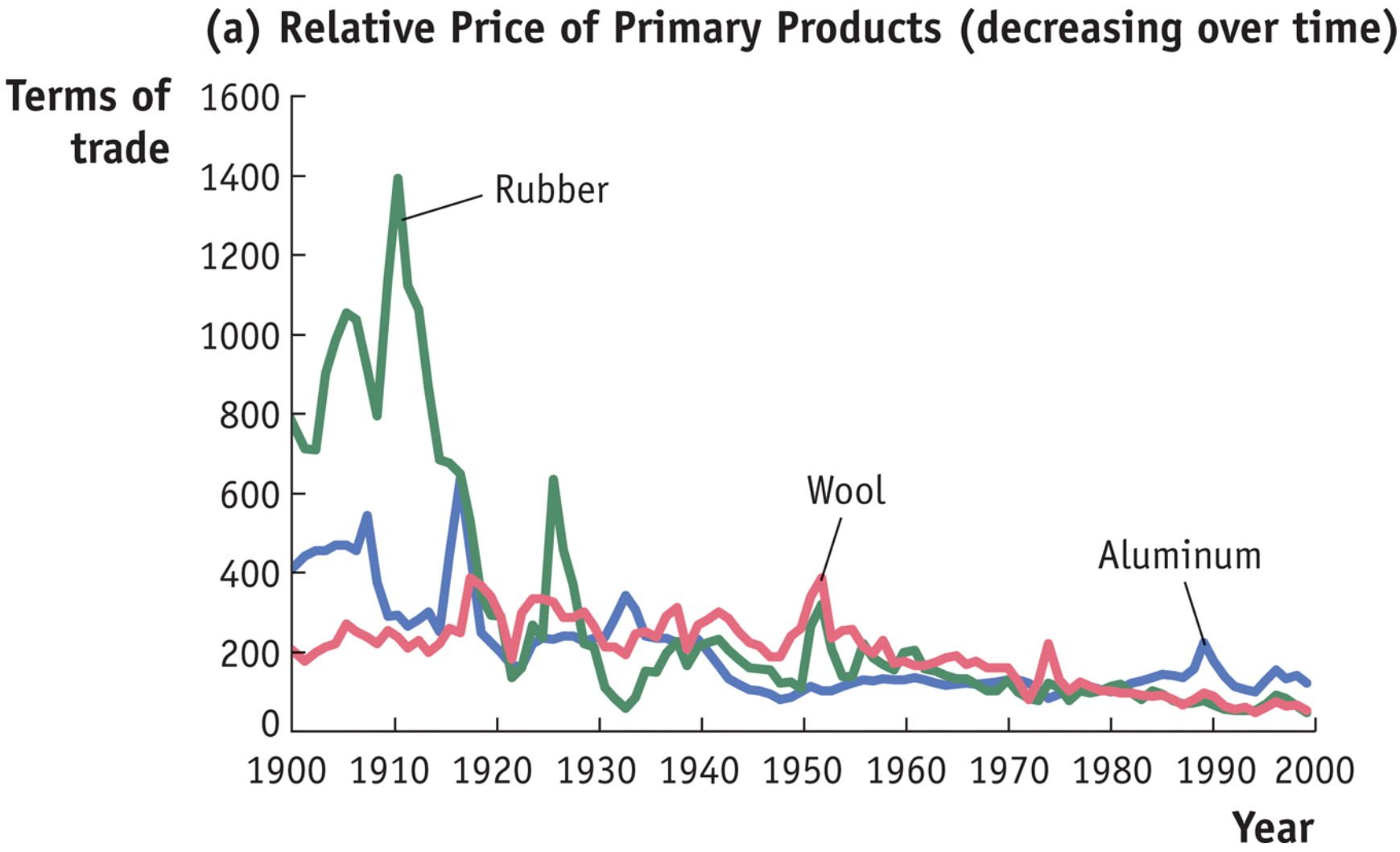
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



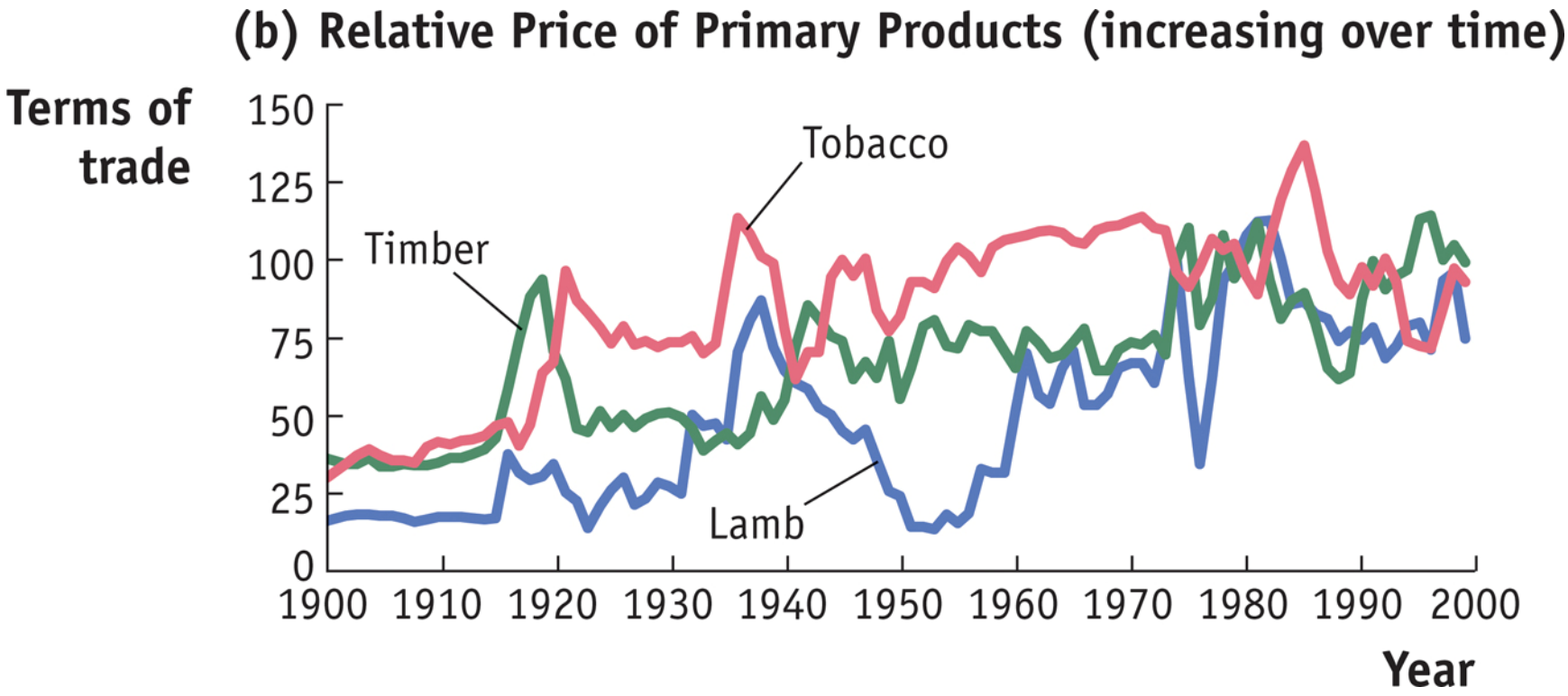
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



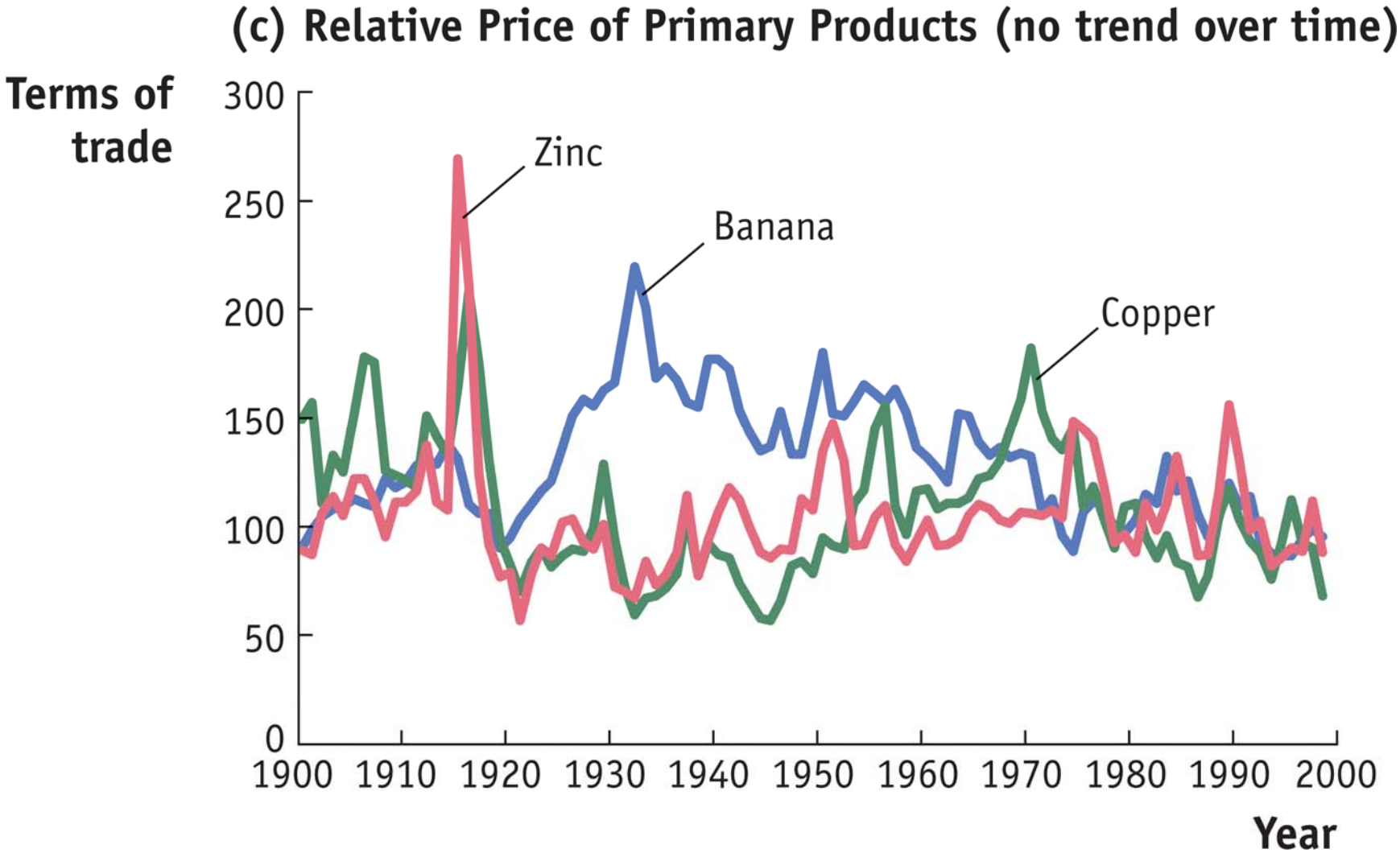
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



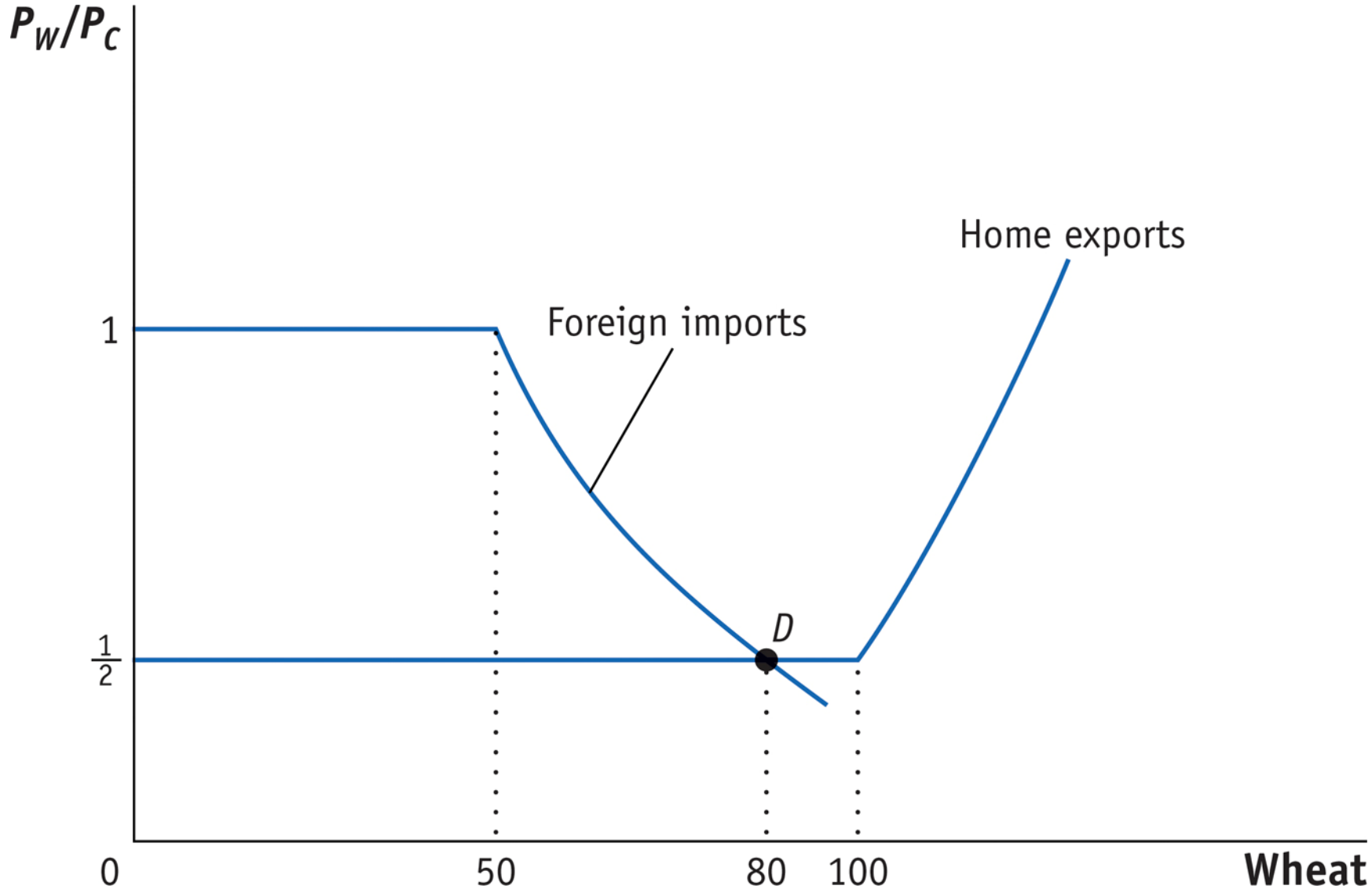
Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers



Robert C. Feenstra and Alan M. Taylor
International Trade, *Third Edition* / International Economics, *Third Edition*
Copyright © 2014 by Worth Publishers