**Unit 6 Study Guide Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Block:\_\_\_\_\_\_\_\_**

**International Economics**

Test Date:

Tutoring:

1. Why do individuals, businesses, and governments trade goods and services? (pg. 441)
2. What is absolute advantage? (pg. 443)
3. What is comparative advantage? (pg. 444)
4. When do most trades take place (in relation to the law of comparative advantage)? (pg. 444)

|  |  |  |
| --- | --- | --- |
|  | **Sandwiches** | **Cookies** |
| **Jasmine** | **20** | **30** |
| **Brandon** | **25** | **100** |

1. According to this chart, who has the absolute advantage in making sandwiches?
2. Who has the comparative advantage in making sandwiches?
3. Who should make cookies and who should make sandwiches in this example?
4. What is balance of trade? (pg. 462)
5. What is a trade surplus? (pg. 462)
6. What is a trade deficit? (pg. 462)
7. What is balance of payments? (notes)
8. What is a trade barrier? (pg. 449)
9. What is free trade? (notes)
10. Why do some countries erect trade barriers? (pg. 449)
11. What are the five types of trade barriers (**AND definitions**)? (notes)
12. What are the possible negative effects (costs) of trade barriers? (pg. 450-451)
13. What are the possible positive effects (benefits) of trade barriers? (notes)
14. What is protectionism? (pg. 452)
15. What are the three arguments in favor of protectionism? (pg. 452)
16. What is a trading block? (notes)
17. Define the following trading blocks: (pg. 454 and notes)
    1. EU:
    2. NAFTA:
    3. ASEAN:
18. What is an exchange rate? (pg. 458)
19. What does it mean when a currency appreciates in value? (pg. 459)
20. What does it mean when a currency depreciates in value? (pg. 459)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **U.S. $** | **Euro €** | **British Pound £** | **Japanese Yen ¥** |
| **U.S. $** | 1 | .72 | .62 | 78.07 |
| **Euro €** | 1.38 | 1 | .86 | 107.8 |
| **British Pound £** | 1.60 | 1.16 | 1 | 125.2 |
| **Japanese Yen ¥** | 0.01 | .009 | .008 | 1 |

\*\*It is important for the test and the EOCT that you understand how to read an exchange rate table.\*\*

1. How much is one British pound in Japanese yen?
2. How much is one U.S. dollar in Euros?

**Table 1: Exchange Rates September 2011** **Table 2: Exchange Rates November 2012**

|  |  |  |
| --- | --- | --- |
|  | **One US Dollar** | **In US Dollars** |
| British Pound | .55 | 1.43 |
| Euro | .70 | 1.17 |
| Japanese Yen | .85 | 0.010 |

|  |  |  |
| --- | --- | --- |
|  | **One US Dollar** | **In US Dollars** |
| British Pound | 0.62 | 1.61 |
| Euro | 0.77 | 1.29 |
| Japanese Yen | 0.80 | 0.012 |

1. Which currencies/currency appreciated against the dollar?
2. Which currencies/currency depreciated against the dollar?
3. According to the changes in exchange rates, which countries are more likely to buy U.S. goods?
4. Which countries would be less likely to buy U.S. goods?