

## Unit 6 Study Guide: International Economics

*Note: **Check your standards FIRST** before studying.* This test covers standards SSEIN1, SSEIN2, SSEIN3.

Unit 6 Quizlet Words Link: [https://quizlet.com/\\_25kzsf](https://quizlet.com/_25kzsf)

### PART 1: Absolute and Comparative Advantage

	Give the definition of each of the following:
<b>1. Absolute Advantage</b>	
<b>2. Comparative Advantage</b>	

- 4. Which country has the absolute advantage in making cars?
- 5. Which country has the absolute advantage in making trucks?
- 6. According to the law of comparative advantage, what product should each country produce and trade?

	Cars	Trucks
<b>United States</b>	450	700
<b>Japan</b>	320	275

- 7. Which person has the absolute advantage in making bracelets?
- 8. Which person has the absolute advantage in making necklaces?
- 9. According to the law of comparative advantage, what product should each person produce and exchange?

	Minutes of labor for one bracelet	Minutes of labor for one necklace
<b>Jasmine</b>	5 mins	8 mins
<b>Kiarra</b>	3 mins	7 mins

- 10. Which person has the absolute advantage in making pizza?
- 11. Which person has the absolute advantage in making salads?
- 12. According to the law of comparative advantage, what product should each person produce and exchange?

	Pizza	Salads
<b>Nino</b>	5	8
<b>JC</b>	3	7

13. Why do nations trade instead of producing everything they need themselves?


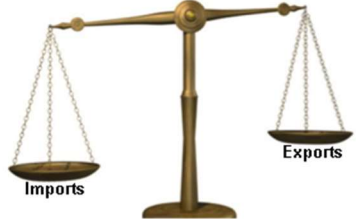
14. How are specialization and trade connected? In other words, what is the relationship between specialization and trade?

**Part II: Trade Barriers**

Type of Trade Barrier	Definition:	Example: <i>Either create your own imaginary example or research actual trade barriers used in the U.S.</i>
<b>Tariff</b>	15.	16.
<b>Quota</b>	18.	19.
<b>Standard</b>	21.	22.
<b>Subsidy</b>	24.	25.
<b>Embargo</b>	27.	28.

<p>30. Arguments FOR Free Trade</p> <p><i>What are some reasons politicians are against using trade barriers. In other words, why do some politicians support free trade?</i></p>	<p>31. Arguments AGAINST Free Trade</p> <p><i>What are some reasons politicians support the use of trade barriers? In other words, why do some politicians reject free trade?</i></p>

32. How do TRADE BARRIERS imposed by the US, like tariffs and quotas, affect <b>American consumers</b> ?	33. How do TRADE BARRIERS imposed by the US, like tariffs and quotas, affect <b>American businesses / producers</b> ?

	Trade Surplus	Trade Deficit
<b>Definition</b>	34.	35.
<b>How does this image illustrate this concept?</b>		

### Part III: Exchange Rates

38. What is an exchange rate?

39. What does it mean when a currency <u>appreciates</u> in value?	40. What does it mean when a currency <u>depreciates</u> in value?
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<p><b>Table 1: Exchange Rates September 2017</b></p> <table border="1"> <thead> <tr> <th></th> <th>One US \$</th> <th>In US \$</th> </tr> </thead> <tbody> <tr> <td>British Pound (GBP)</td> <td>0.55</td> <td>1.43</td> </tr> <tr> <td>Euro (EUR)</td> <td>0.70</td> <td>1.17</td> </tr> <tr> <td>Japanese Yen (JPY)</td> <td>0.85</td> <td>0.010</td> </tr> </tbody> </table> <p><b>Table 2: Exchange Rates December 2017</b></p> <table border="1"> <thead> <tr> <th></th> <th>One US \$</th> <th>In US \$</th> </tr> </thead> <tbody> <tr> <td>British Pound (GBP)</td> <td>0.62</td> <td>1.61</td> </tr> <tr> <td>Euro (EUR)</td> <td>0.77</td> <td>1.29</td> </tr> <tr> <td>Japanese Yen (JPY)</td> <td>0.80</td> <td>0.012</td> </tr> </tbody> </table>		One US \$	In US \$	British Pound (GBP)	0.55	1.43	Euro (EUR)	0.70	1.17	Japanese Yen (JPY)	0.85	0.010		One US \$	In US \$	British Pound (GBP)	0.62	1.61	Euro (EUR)	0.77	1.29	Japanese Yen (JPY)	0.80	0.012	<p>41. Which currencies/currency appreciated against the dollar from September to December 2017?</p> <p>42. Which currencies/currency depreciated against the dollar from September to December 2017?</p> <p>43. According to the changes in exchange rates, which countries are more likely to buy U.S. goods in December 2017 compared to September 2017?</p> <p>44. Which countries would be less likely to buy U.S. goods in December 2017 compared to September 2017?</p>
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