

Economics Study Guide: Unit 4 – International Economics**SSEIN1 explain why individuals, businesses, and governments trade goods and services.**

- a. Define and distinguish between absolute advantage and comparative advantage.
- b. Explain that most trade takes place because of comparative advantage in the production of a good or service.
- a. Explain the difference between balance of trade and balance of payments.

Imports	Balance of payments
Exports	Current Account
Absolute Advantage	Capital Account
Comparative Advantage	Financial Account
Opportunity Cost	Balance of trade
Specialization	Trade Surplus
	Trade Deficit

SSEIN2 – Explain why countries sometimes erect trade barriers and sometimes advocate free trade.

- a. Define trade barriers as tariffs, quotas, embargoes, standards, and subsidies.
- b. Identify costs and benefits of trade barriers over time.
- c. List specific examples of trade barriers.
- d. List specific examples of trading blocs such as the EU, NAFTA, and ASEAN.
- e. Evaluate arguments for and against free trade.

Free Trade	Standards
Trade Barriers	Subsidies
Tariff	Protectionists
Revenue Tariff	World Trade Organization (WTO)
Protective Tariff	North American Free Trade Agreement (NAFTA)
Quotas	European Union (EU)
Embargoes	Association of Southeast Asian Nations (ASEAN)

SSEMA3 – explain how changes in exchange rates can have an impact on the purchasing power of individuals in the United States and in other countries.

- a. Define exchange rate as the price of one nation's currency in terms of another nation's currency.
- b. Locate information on exchange rates.
- c. Interpret exchange rate tables.
- d. Explain why, when exchange rates change, some groups benefit and others lose.

Exchange Rate	International Monetary Fund (IMF)
Foreign Exchange Markets	Depreciation
Fixed Exchange Rates	Balance of Trade
Flexible Exchange Rates	Balance of Payments