

CHAPTER 17

GLOBAL ECONOMY

What It Means to You

WHAT'S AHEAD

- 17.1** The Nature of International Trade
- 17.2** U.S. Economy and World Trade
- 17.3** Government and the Economy
- 17.4** It's a Global Economy

LESSON 17.1

The Nature of International Trade

GOALS

- ▶ Discuss why nations trade goods and services.
- ▶ Describe ways that nations limit or promote international trade.

KEY TERMS

- import
- export
- trade deficit
- trade surplus
- balance of trade
- absolute advantage
- comparative advantage
- tariff
- quota
- protectionism
- North American Free Trade Agreement (NAFTA)
- European Union (EU)

What Is International Trade

- ▶ Import
- ▶ Export
- ▶ Balance of trade
 - ▶ Trade deficit
 - ▶ Trade surplus
- ▶ Absolute advantage
- ▶ Comparative advantage

Trade Barriers and Agreements

- ▶ Tariffs
- ▶ Quotas

Why Nations Create Trade Barriers

- ▶ To help young industries
- ▶ To support national security
- ▶ To protect jobs

Trade Agreements

- ▶ World Trade Organization
- ▶ North American Free Trade Agreement (NAFTA)
- ▶ European Union (EU)

CHECKPOINT 17.1

- What is international trade? Why do nations trade?
- How do countries limit and promote international trade?

CHECKPOINT 17.1 ANSWERS

- **What is international trade? Why do nations trade?**
- **International trade is the buying and selling of goods and services among nations.**
- **Nations trade because they benefit from trade.**

CHECKPOINT 17.1 ANSWERS

- How do countries limit and promote international trade?
 - Free trade is limited by tariffs and quotas.
 - It is promoted when countries lower tariffs and quotas or form trading blocks such as NAFTA or the EU.

LESSON 17.2

U.S. Economy and World Trade

GOALS

- ▶ Describe how international trade affects the U.S. economy.
- ▶ Explain how exchange rates affect the prices of imports and exports.

KEY TERMS

- exchange rate
- floating exchange rate

Trade and U.S. Consumers

- ▶ U.S. imports
- ▶ U.S. exports
- ▶ Trade in services
- ▶ The trade debate

U.S. Imports

- ▶ Consumer goods
- ▶ Oil and petroleum products
- ▶ Motor vehicles
- ▶ Electronic products

U.S. Exports

- ▶ Motor vehicles and parts
- ▶ Electronic products
- ▶ Airplanes and airplane parts
- ▶ Agricultural products

Exchange Rates

- ▶ How exchange rates are determined
- ▶ Effects of floating exchange rates
- ▶ Exchange rates and the U.S. economy

CHECKPOINT 17.2

- How does international trade affect the lives of U.S. consumers?
- How do floating exchange rates affect international trade?

CHECKPOINT 17.2 ANSWERS

- How does international trade affect the lives of U.S. consumers?
 - International trade enables U.S. consumers to buy a wider selection of products at lower prices.
 - U.S. workers often need to be retrained because U.S. companies may move their production of goods to other countries where it is cheaper to make products, but service and information exports are still predominant in the United States.

CHECKPOINT 17.2 ANSWERS

- How do floating exchange rates affect international trade?

Floating exchange rates determine the amount of a foreign currency you obtain for your dollars and thus the prices of imported goods you buy and exported goods U.S. businesses sell.

LESSON 17.3

Government and the Economy

GOALS

- ▶ Discuss ways that governments measure their economies.
- ▶ Describe how the government can help reduce swings in the business cycle.

KEY TERMS

- gross domestic product (GDP)
- real GDP
- Consumer Price Index (CPI)
- unemployment rate
- business cycle
- expansion
- recession
- depression
- fiscal policy
- monetary policy

Measuring Economic Performance

- ▶ Gross domestic product (GDP)
- ▶ Inflation
- ▶ Unemployment rate
- ▶ Personal income

The Business Cycle

- ▶ Expansion
- ▶ Recession
- ▶ Consumer confidence

Government Efforts to Stabilize the Economy

- ▶ Fiscal policy
- ▶ Monetary policy
- ▶ The special case in 2008

CHECKPOINT 17.3

- How does the government measure economic activity?
- What can governments do to help influence economic growth?

CHECKPOINT 17.3 ANSWERS

- How does the government measure economic activity?
- The government measures economic activity by determining and comparing measurements such as the gross domestic product (GDP), the rate of inflation, and the Consumer Price Index.
- It also looks at the unemployment rate and growth of personal income.

CHECKPOINT 17.3 ANSWERS

- What can governments do to help influence economic growth?

Governments can create fiscal and monetary policies that affect the growth or decline of their country's economy.

LESSON 17.4

It's a Global Economy

GOALS

- ▶ Describe ways that companies do business in the global marketplace.
- ▶ Discuss ways that nations depend on each other.

KEY TERM

- **multinational corporation (MNC)**

Business in a Global Economy

- ▶ **Multinational corporations (MNC)**
 - ▶ Employment
 - ▶ Technology
- ▶ **Other ways to enter foreign markets**
 - ▶ Licensing
 - ▶ Partnerships

Sharing Resources

- ▶ International flow of funds
- ▶ International flow of knowledge
- ▶ The global environment
- ▶ The spread of prosperity

CHECKPOINT 17.4

- What are some ways that companies do business in other countries?
- What are some ways that nations work together to promote prosperity in the global economy?

CHECKPOINT 17.4 ANSWERS

- What are some ways that companies do business in other countries?
- Forming multinational corporations
 - Creating licensing agreements
 - Forming partnerships

CHECKPOINT 17.4 ANSWERS

- What are some ways that nations work together to promote prosperity in the global economy?
- Making trade agreements that reduce tariffs and quotas
- Making international investments
- Sharing resources such as new technologies