

The background is a blue-tinted image. In the center, there is a wireframe globe showing the continents. Overlaid on the globe is a 3D bar chart with several vertical bars of varying heights. The text is centered over the globe and bar chart.

**Unit 4**  
**International**  
**Economics**

## Unit 4

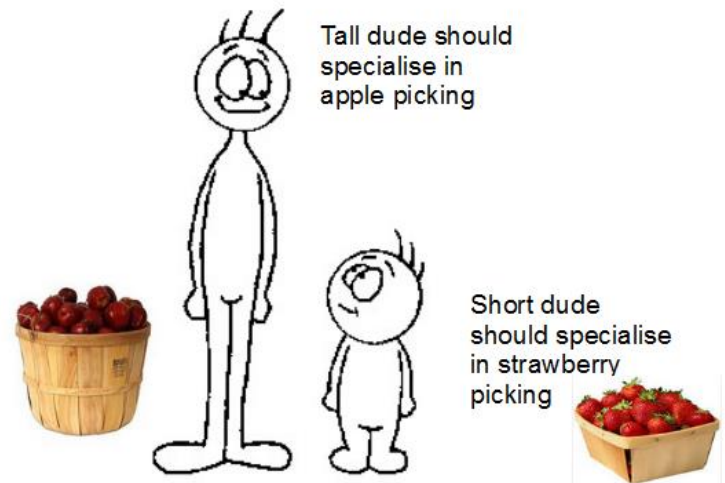
### Big Idea #1

# Absolute Advantage

the ability of a country, individual, company or region to produce a good or service at a lower cost per unit than the cost at which any other entity produces that same good or service

# Comparative Advantage

when a country produces a good or service for a lower opportunity cost than other countries



Opportunity = What You Give Up  
Cost **If You Make**

## Unit 4

### Big Idea #2

Individuals, businesses and governments trade goods & services because of comparative advantage in the production of a good or service.

$$\begin{array}{r} + \text{ EXPORTS} \\ - \text{ IMPORTS} \\ \hline \text{BALANCE} \\ \text{OF TRADE} \end{array}$$

### Trade Surplus



### Trade Deficit



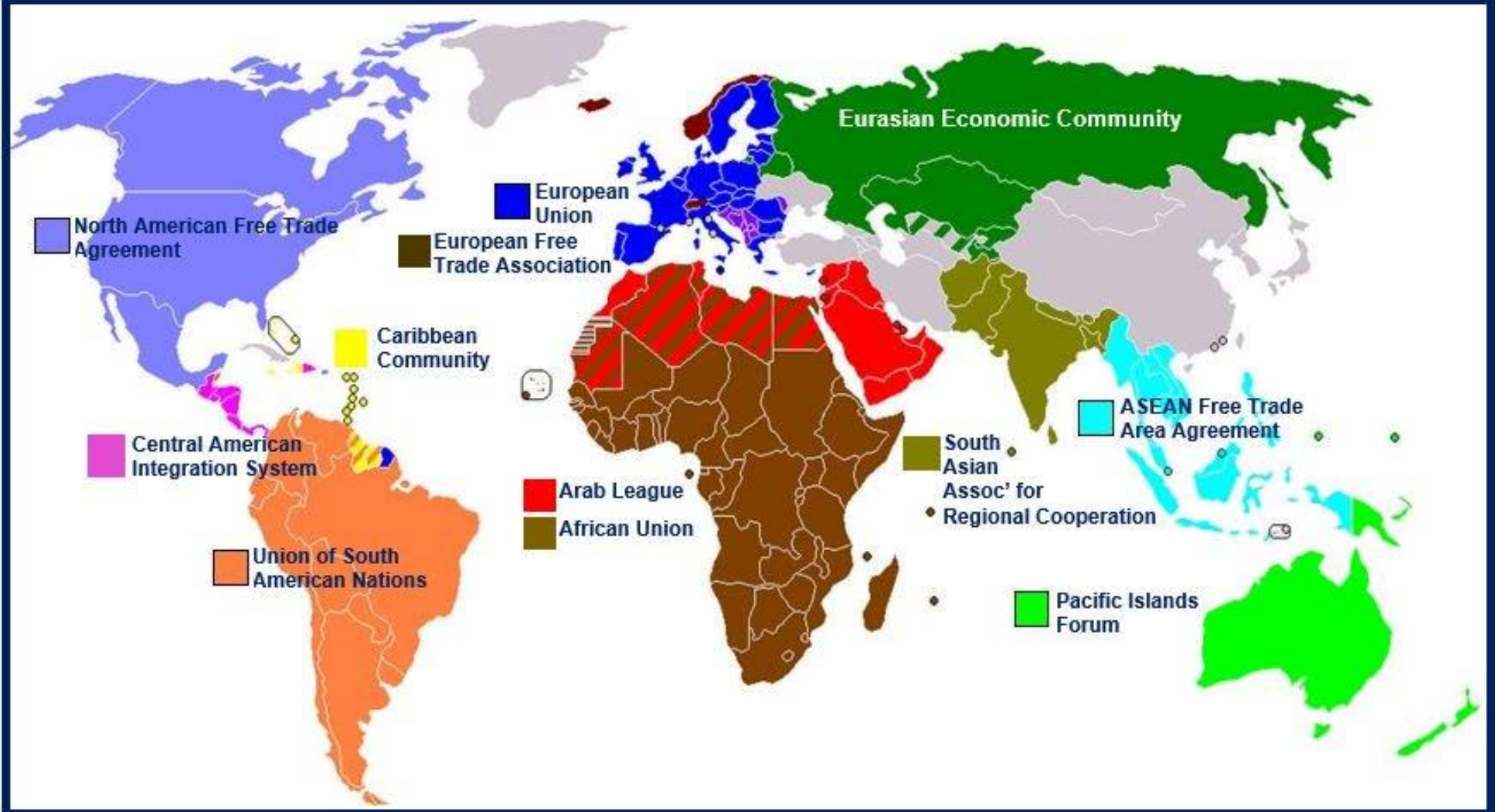
## Unit 4

### Big Idea #3

# Protectionism vs. Free Trade

Arguments <b>FOR</b> Free Trade	Arguments <b>AGAINST</b> Free Trade (i.e. protectionism)
<b>Improves economic efficiency</b>	<b>Protection of national security</b> <ul style="list-style-type: none"><li>▪ National security requires access to certain things (energy, military goods, etc.)</li></ul>
<b>Offers consumers of all nations a wide variety of goods/services</b>	<b>Protection of “infant” industries</b> <ul style="list-style-type: none"><li>▪ New industries with high potential that need help to get started</li></ul>
<b>Offers consumers the lowest possible prices</b>	<b>Protection of domestic jobs</b>

# Trade Blocs



# Trade Barriers

<b>Tariffs</b>	<b>A tax on imports</b>
<b>Quotas</b>	<b>Limits the number (or monetary value) of imports coming into a country</b>
<b>Embargoes</b>	<b>A ban on all trade or trade of certain items from a country</b>
<b>Standards</b>	<b>Requirement that an import meet certain standards for quality and safety</b>
<b>Subsidies</b>	<b>Form of financial aid or support extended to an economic sector (or institution, business, or individual) generally with the aim of promoting economic and social policy</b>

## Unit 4

### Big Idea #4

# Exchange Rates

The rate at which one currency will be exchanged for another currency

$C = a \times b$

a = money you have  
b = exchange rate  
c = money after exchange

Example:  
 $a = \$1,500(\text{USD}); b = 0.7618$   
 $1,500 \times 0.7618$   
 $= 1,142.70 \text{ EUR}$

with How to Calculate Exchange Rate

## Unit 4

### Big Idea #5

# Weak/Depreciating Dollar vs. Strong/Appreciating Dollar

	<b>Weak/Depreciating Dollar</b>	<b>Strong/Appreciating Dollar</b>
<b>What is it?</b>	<ul style="list-style-type: none"><li>• The value of the dollar falls compared to other currencies</li><li>• More U.S. dollars are needed to purchase foreign currencies</li></ul>	<ul style="list-style-type: none"><li>• The value of the dollar <u>rises</u> compared to other currencies</li><li>• <u>More</u> foreign currency is needed to purchase a U.S. dollar</li></ul>
<b>Who is helped by it?</b>	<ul style="list-style-type: none"><li>▪ <b><u>U.S. Producers</u></b> - because they're competing with higher priced imported goods &amp; services</li><li>▪ <b><u>Foreign Consumers</u></b> - because they can buy U.S. goods &amp; services at a lower price</li><li>▪ <b><u>U.S. Exporters</u></b> - because American goods &amp; services become less expensive for foreign consumers</li></ul>	<ul style="list-style-type: none"><li>▪ <b><u>U.S. consumers</u></b> because the prices of foreign goods &amp; services are less expensive</li><li>▪ <b><u>U.S. investors</u></b> in foreign companies because the prices of foreign securities are lower</li><li>▪ <b><u>U.S. importers</u></b> because they can sell foreign goods &amp; services at a lower price</li><li>▪</li></ul>
<b>Who is hurt by it?</b>	<ul style="list-style-type: none"><li>• <b><u>U.S. consumers</u></b> - because the cost of foreign goods &amp; services is more expensive</li><li>• <b><u>U.S. investors</u></b> in foreign companies because it costs more</li><li>• <b><u>Foreign exporters</u></b> - because their goods &amp; services are more expensive</li></ul>	<ul style="list-style-type: none"><li>• <b><u>U.S. producers</u></b> because they are competing against lower priced foreign goods &amp; services</li><li>• <b><u>Foreign consumers</u></b> because U.S. goods &amp; services are more expensive</li><li>• <b><u>U.S. exporters</u></b> because U.S. goods &amp; services are more expensive</li></ul>



