

## International Trade Problems

Watch Imports, Exports, and Exchange Rates: Crash Course Economics #15

<https://www.youtube.com/watch?v=geoe-6NBy10>

- Net Exports – The annual difference between a country's \_\_\_\_\_ and \_\_\_\_\_.
- There is value in international trade. It doesn't make sense to make everything on your own if you can \_\_\_\_\_ with other countries that have a \_\_\_\_\_.
- International trade \_\_\_\_\_ jobs from one sector of the economy to another.
- Exchange Rate – How much your currency is worth when you \_\_\_\_\_.

Follow Adriene Hill's example –

- suppose the US – Mexico exchange rate is 15 pesos = 1 dollar:
  - 60 pesos = \_\_\_\_\_
  - 20 dollars = \_\_\_\_\_
- Suppose the exchange rate changes to 20 pesos = 1 dollar:
  - 60 pesos = \_\_\_\_\_
  - 20 dollars = \_\_\_\_\_
- In this example the dollar has \_\_\_\_\_
- Suppose the exchange rate changes to 10 pesos = 1 dollar:
  - 60 pesos = \_\_\_\_\_
  - 20 dollars = \_\_\_\_\_
- In this example the dollar has \_\_\_\_\_

When the dollar \_\_\_\_\_, it gets cheaper for US consumers to \_\_\_\_\_ foreign goods, and US exports to other countries get more \_\_\_\_\_. US imports rise and exports fall

When the dollar depreciates, foreign imports get more \_\_\_\_\_ which means they call, and US exports to other countries get cheaper which means they \_\_\_\_\_.

Most currencies have floating exchange rates that change based on supply and demand. When the US imports more products from Mexico, they exchange dollars for pesos. This will increase the demand for \_\_\_\_\_, and the peso will \_\_\_\_\_. At the same time, the dollar will \_\_\_\_\_.

Balance of Payments – an accounting statement that records all international transactions. It is made up of two sub-accounts:

1. \_\_\_\_\_ - records the sale and purchases of goods and services, investment income earned abroad, and other transfers like donations and foreign aid.
2. \_\_\_\_\_ - records the purchase and sale of financial assets like stocks and bonds

When Americans spend money on Chinese goods, the people in China have only two things they can do with that money. They can:

- 1.
- 2.

There is a reason why the flow of goods and the flow of \_\_\_\_\_ are symmetric. If consumers, businesses, and government want to buy more stuff than their country is producing domestically they have to \_\_\_\_\_ it so there is a trade deficit. That country has to sell assets to pay for those imports, and that is recorded in the \_\_\_\_\_.

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Watch Foreign Exchange Practice – Macro Practice - 5.3 <https://www.youtube.com/watch?v=9DVYVfi81R8>

1. Draw the foreign exchange market for dollars relative to Euros.

2. What are the four shifters in the foreign exchange market?

- 1.
- 2.
- 3.
- 4.

3. If the demand for dollars goes up the dollar will \_\_\_\_\_.

4. If the demand for dollars goes down the dollar will \_\_\_\_\_.

5. Who would benefit from the depreciation of the dollar?

6. In each of the following cases determine what happens to the demand for the dollar and whether the dollar will appreciate or depreciate.

1. Europeans travel more to the US
2. A severe recession in Europe
3. Increase in price level in the US
4. Relatively higher interest rate in US

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Watch Macro 5.3 – Foreign Exchange Practice [https://www.youtube.com/watch?v=hmbs\\_06LnS8](https://www.youtube.com/watch?v=hmbs_06LnS8)

Follow Mr. Clifford's example and fill in the chart below

	US Dollars	Japanese Yen
US tourists love Japan		
US government cuts income taxes		
Higher inflation in Japan		
Higher interest rates in Japan		
Japan places tariffs on US imports		
US has a huge recession		

