

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 _____.

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

Watch Macro 5.3 – Foreign Exchange Practice 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		

