

The United States and the Global Economy

How do countries conduct trade in the global economy?

S p e a k i n g o f E c o n o m i c s

As you complete the Reading Notes, use these terms in your answers:

global economy	protectionism
imports	protective tariff
exports	foreign exchange
free trade	balance of trade

P R E V I E W

Tape the world map you receive into your notebook. Then do the following:

- Identify the countries of origin of at least five items in your possession such as shoes, a shirt, a backpack, a cell phone, and a calculator.
- For each item, label the country of origin on the map. You can use the world map in the back of your book to help identify the countries of origin.
- Draw an arrow from the country to your community and label the arrow with the name of the item.

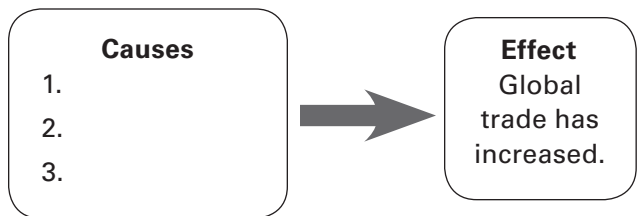
When you are done, answer these questions:

1. What surprises you about your map?
2. Do you think the United States imports or exports more goods? Why might this be the case?
3. How does global trade affect your life?

R E A D I N G N O T E S

Section 2

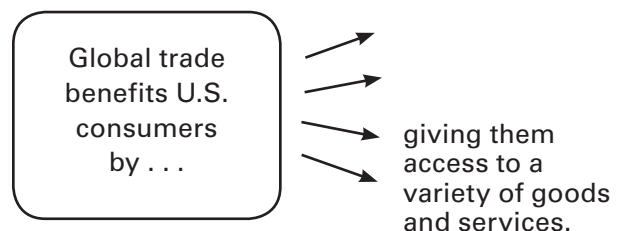
1. Create a cause-and-effect chart to show why global trade has increased in recent decades.



2. Determine whether the following statement is true or false. If it is false, rewrite it to make a true statement. *A country benefits when it specializes in producing the goods for which it holds an absolute advantage.*
3. Describe an example of a differentiated product, such as a car from the United States and a car from Japan. Use sketches if they help you explain.

Section 3

1. Examine the graphs in Figure 3A.
 - What does each graph show?
 - What are the top two categories in each graph?
 - Why might the United States import and export the same types of items?
2. Create a chart showing the benefits of global trade for U.S. consumers. An example is given for you.



Section 4

- For each of the four trade barriers described in this section, do the following:
 - Provide a definition and explain why a country might use the trade barrier.
 - Draw a symbol.
 - Give a current or historical example of the trade barrier in practice.
- Copy and complete the following dialogue about free trade between a protectionist (P) and an economist (E) who is not a protectionist.

P: Free trade destroys jobs.
 E: Not necessarily, because . . .
 P: Trade barriers are needed to protect infant industries.
 E: I disagree, because . . .
 P: We need tariffs to make sure countries enforce environmental and labor standards.
 E: That's not true, because . . .

Section 5

- Determine whether the U.S. exchange rate will appreciate or depreciate (relative to another currency) in the following situations. Explain your reasoning. An example is provided for you.

Example: Americans buy more goods and services from Japan. The U.S. dollar will depreciate relative to the Japanese currency. As Americans buy more Japanese currency to purchase their goods, the price of Japanese currency will increase and the dollar will be worth less.

 - Mexicans buy fewer goods and services from the United States.
 - Americans buy fewer goods and services from Jordan.
- Identify a pro and a con of floating exchange rates. Do the same for fixed exchange rates.
- Identify which item (A, B, or C) shows an equal balance of trade, which shows a trade surplus, and which shows a trade deficit.

A
B
C

exports > imports
exports = imports
imports > exports


- Write a paragraph explaining whether you think a large U.S. trade deficit poses a problem for the United States. Include at least one reference to an economist cited in the text.

P R O C E S S I N G

Create an international charter for global trade outlining how countries should conduct trade in the global economy.

- Begin with this statement: *We, the undersigned, do hereby agree to the following terms and conditions to promote global trade in the global economy.*
- Include at least four sections in your charter outlining these things:
 - The goals of international trade.
 - If, and under what circumstances, trade barriers are appropriate. Reference specific trade barriers such as protective tariffs, import quotas, trade embargoes, and VERs.
 - Whether countries should have to adhere to specific environmental and labor laws.
 - How countries should resolve trade disputes.
- Choose five to ten countries to sign your charter. List them at the end of the document.
- Create an emblem, or simple illustration, highlighting the purpose of your charter. Place the emblem anywhere on your charter.

A sample charter is shown below.

We, the undersigned, do hereby agree to the following terms and conditions to promote global trade in the global economy. 

Section 1: We believe the goal of international trade is . . .

Section 2: We believe there are times when trade barriers are important. For instance, . . .

Section 3: We believe countries should . . .

Section 4: When countries have a trade dispute, we believe they should . . .

Signed,