Economics

Chapter 5

Study Guide

**Terms to know**

Comparative Advantage

Terms of trade

Foreign exchange market

Exchange rates

Depreciation

Appreciation

Protective tariffs

Import quotas

Nontariff barriers

Export subsidies

Smoot-Hawley Tariff Act

Reciprocal Trade Agreement Act

Normal-trade-relation status

General Agreement on Tariffs and Trade (GATT)

World Trade Organization (WTO)

Doha Round

European Union (EU)

Trade bloc

Euro

North American Free Trade Agreement (NAFTA)

Trade Adjustment Assistance Act

Offshoring

**To know and understand**

* Identify the four main categories of economic flows linking nations
* Explain the importance of international trade to the US economy in terms of volume, dependence, trade patterns, and financial linkages
* Describe several factors that have facilitated the rapid growth of international trade since WWII
* Identify the key participating nations in international trade
* Explain the basic principle of comparative advantage based on an individual example
* Compute the comparative costs of production from production possibilities data when you are given an example with cost data for two countries
* Determine which of two countries has a comparative advantage in an example
* Indicate the range in which the terms of trade will be found in an example
* Define the main characteristics of the foreign exchange market
* Distinguish between the appreciation and depreciation of a currency
* Identify four means by which the governments interfere with free trade
* Discuss two reasons why governments intervene in international trade
* Give estimates of the cost to society from trade restrictions
* List the major features of the Reciprocal Trade Agreement Act
* State the three principles of the General Agreement on Tariffs and Trade (GATT)
* Identify the major provisions of the Uruguay round of GATT
* Describe the World Trade Organization (WTO)
* Describe the history of and results from the European Union (EU)
* Explain what the euro is and the results from using it
* Describe the north American free trade agreement (NAFTA)
* Describe the Trade Adjustment Assistance Act of 2002
* Evaluate reasons for and outcomes from offshoring
* Discuss the effects of global competition on US firms, workers and consumers
* Evaluate the overall effectiveness of fair-trade approaches to economic development