

## Unit 4: International Finance

**Unit Focus:** In this unit, students will demonstrate their knowledge of international economic concepts as they assume the role of their nation's trade experts. They will develop a comprehensive trade policy designed to increase the efficient use of resources and increase their nation's access to product and resource markets around the world. Incorporating the theme of Incentives, students will analyze how various trade policies, barriers, and agreements cause individuals, firms, and nations to respond in predictable ways. Applying the theme of Interdependency, students will discuss how decisions made by one trading partner causes intended and unintended consequences for others and how international exchange rates effect the balance of trade between nations. Using the themes of Gains from Trade and Scarcity, the students apply the law of comparative advantage to their nations production and specialization decisions. They will also evaluate the costs and benefits of their trading relationships, and explain why and how various productive resources must often be redirected to other industries when new trading relationships develop.

### Understanding the Standards

Underline all people, terms, or events that you think are important to remember. Circle all the ways you will prove your mastery of the standard.

**SSEIN1 The student will explain why individuals, businesses, and governments trade goods and services.**

- a. Define and distinguish between absolute advantage and comparative advantage.
- b. Explain that most trade takes place because of comparative advantage in the production of a good or service.
- c. Explain the difference between balance of trade and balance of payments.

**SSEIN2 The student will explain why countries sometimes erect trade barriers and sometimes advocate free trade.**

- a. Define trade barriers as tariffs, quotas, embargoes, standards, and subsidies.
- b. Identify costs and benefits of trade barriers over time.
- c. List specific examples of trade barriers.
- d. List specific examples of trading blocks such as the EU, NAFTA, and ASEAN.
- e. Evaluate arguments for and against free trade.

**SSEIN3 The student will explain how changes in exchange rates can have an impact on the purchasing power of individuals in the United States and in other countries.**

- a. Define exchange rate as the price of one nation's currency in terms of another nation's currency.
- b. Locate information on exchange rates.
- c. Interpret exchange rate tables.
- d. Explain why, when exchange rates change, some groups benefit and others lose.