International Economics: Trade and Currency Economics

Key Terms

• **International trade** – buying and selling goods across borders
• **Absolute advantage** – occurs when a country can produce a good or service utilizing less resources than another country
• **Comparative advantage** – occurs when a country can produce a good or service at a lower opportunity cost than another country
• **Balance of trade** – rate of trade with other countries, favorable or unfavorable
• **Balance of payments** – the value of money coming into the country from trade minus the value going out, exports minus imports.
• **Current Account** – the part of balance of payments that includes goods and services
• **Capital Account** – the part of the balance of payments that includes foreign investments
• **Trade barriers** – government policies that restrict trade
• **Protectionism** – government policies that help domestic industries face foreign competition
• **Free trade** – international trade that is unrestricted by trade barriers
• **Imports** – goods and services a nation buys from other countries
• **Exports** – goods and services a nation sells to other countries
• **Trade surplus** – happens when the value of exports exceeds imports
• **Trade deficit** – happens when the value of imports exceeds exports
• **Tariffs** – taxes on goods coming into a country from another country
• **Quota** – limitation on the quantity of products allowed to be imported into a country.
• **Embargo** – a refusal to trade with a country; imposition of economic sanctions
• **Standards** – guidelines that imports must meet to enter a country
• **Subsidies** – payments or other support like tax breaks from government to businesses to help the businesses become competitive.
• **Exchange rate** – how much the currency of one nation is worth compared to the currency of another nation (floating or fixed)
• **Purchasing power** – actual amount of goods and services that can be bought with a unit of currency, changes as the exchange rate changes (Currency appreciates or devalues.)
• **Standard of living** – quality of life in a country; how prosperous the people are; access to housing, education, and health care; usually measured by comparing per capita GDP among nations
• **Sustainable development** – resource utilization and development that meets current needs while protecting the environment for future generations
• **National interest and security** – policies that help protect nations such as being concerned on too much dependence on other countries for resources or products.