

International Trade

Drill Set 1

Create the appropriate graphs for the following problems.

1. Americans buy more French goods. Show what will happen to the international value of the dollar.
2. The U.S. begins to run a trade surplus with the European Union. Show what will happen to U.S. net exports. *Remember that the net exports number is included in GDP and a component of aggregate demand. Use an aggregate supply and demand curve graph to show the change in net exports.*
3. Real interest rates rise in the U.S relative to the rest of the world. Show what will happen to the international value of the dollar.
4. The U.S. develops new environmental technology and large amounts of machinery are exported to Japan and China. This dramatically alters the balance of trade. Show what will happen to the international value of the dollar.
5. Foreigners are placing less money in American banks. What happens in the American loanable funds market?
6. Real interest rates fall in the U.S relative to the rest of the world. Show what will happen to the international value of the dollar.
7. The U.S. trade deficit with China increases. Show what will happen to U.S. GDP. *Use an aggregate supply and demand curve graph.*
8. The U.S. sells more aircraft around the world. How will this impact the international value of the dollar?
9. The U.S. sells fewer software programs to Europe and Asia. How will this impact the international value of the dollar?
10. In 2020, the U.S. achieves energy independence and no longer imports crude oil. Show what will happen to the international value of the dollar and U.S. net exports.