

International Trade

Drill Set 3

Solve the following problems. Remember to create the appropriate graphs when necessary.

1. Current account balance for the U.S. is -3 billion. What is the financial account balance?
2. The U.S. sells more textiles to the world. How will this impact American net exports?
3. In 2020, the U.S. grows more dependent on foreign oil. Show what will happen to the international value of the dollar.
4. The U.S. sells more aircraft around the world. How will this impact the international value of the dollar?
5. The China develops new green technology and large amounts of machinery are imported to the U.S. Show what will happen to the international value of the dollar.
6. Americans buy more Chinese goods. Show what will happen to the international value of the dollar.
7. The dollar depreciates substantially. What will happen to U.S. net exports in the near future? Show this using an aggregate supply and demand curve graph.
8. The US. trade deficit with China increases. Show what will happen to U.S. GDP.
9. Foreigners are pulling more money out of American banks. What will happen in the American loanable funds market?
10. 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.