

International Trade

Drill Set 4

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

1. In 2020, the U.S. grows less dependent on foreign oil. Show what will happen to the international value of the dollar.
2. The U.S. sells more trucks to the world. How will this impact American 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. Japan develops new computer technology and large amounts of software are imported to the U.S. Show what will happen to the international value of the dollar.
4. Americans buy more Indian goods. Show what will happen to the international value of the dollar.
5. The U.S. trade deficit with Mexico increases. Show what will happen to U.S. GDP.
6. Foreigners are placing more money in American banks. What will happen in the American loanable funds market?
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. 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.
9. Financial account balance for the U.S. is -10 billion. What is the current account balance?
10. The U.S. dollar depreciates. What will happen to U.S. net exports?