

Economics  
**Unit 8 – The Global Economy**  
EDLINE Test Study Guide

The Unit 8 test is a 25-question multiple-choice and will be taken on EDLINE. It is worth 50 points and will count as a Test grade. On the test, you will be required to do the following:

- Given a scenario, identify which of the following is illustrated:
  - **absolute advantage**
  - **comparative advantage**
- Identify the **three** major differences between countries that result in comparative advantages
- Given a scenario, identify that the scenario illustrates **differentiated products**
- Identify which currency a given country would wish to be paid for its exports
- Given an exchange rate between two currencies and an amount of a specific currency to be exchanged, be able to calculate the amount of the other currency that would be received
- Be able to identify the description of the following types of exchange rates:
  - **fixed exchange rate**
  - **floating exchange rate**
- Identify the effects of **devaluation** of a country's currency on the following:
  - Imports
  - GDP
  - A country's ability to repay foreign-held debt
- Identify the definition of the following:
  - **trade surplus**
  - **trade deficit**
- Identify who **benefits** from a trade **surplus**
- Identify who might be **harmed** by a trade **surplus**
- Identify who **benefits** from a trade **deficit**
- Identify who might be **harmed** by a trade **deficit**
- Identify the effects of a **strong dollar** on
  - Imports
  - Exports
  - Foreign investment in the U.S.
- Identify the effects of a **weak dollar** on
  - Imports
  - Exports
  - Foreign investment in the U.S.
- Given a scenario, identify that the scenario illustrates a:
  - **tariff**
  - **quota**
  - **embargo**
  - **voluntary trade restriction**
- Identify that trade restrictions normally destroy more jobs than they save
- Identify that trade restrictions result in higher prices for products subject to the trade restrictions than would be paid in a free market