



International Business

Chapter 2 Our Global Economy

(a) absolute advantage, (b) balance of trade, (c) capitalism, (d) command economy, (f) comparative advantage, (g) consumer price index (CPI), (h) demand, (i) developing countries, (j) economics, (k) economic system, (l) factors of production, (m) foreign exchange rate, (n) foreign debt, (o) gross domestic product (GDP), (p) gross national product (GNP), (q) industrialized country, (r) infrastructure, (s), inflation, (t), less-developed country, (u) market economy, (v) market price, (w) mixed economy, (x) opportunity cost, (y) privatization, (z) scarcity, (a2) socialism, (b2) supply .

1. _____ The difference between a country's exports and imports.
2. _____ A situation that exists when a country specializes in the production of a good or service at which it is relatively more efficient..
3. _____ The study of how people choose to use limited resources to satisfy their unlimited needs and wants.
4. _____ The amount of a good or service that businesses are willing and able to make available at a certain price..
5. _____ The process of changing an industry from public to private ownership.
6. _____ The limited resources available to satisfy the unlimited needs and wants of people.
7. _____ The amount of a good or service that consumers are willing and able to purchase at a certain price.
8. _____ The method a country uses to answer the basic questions of what to produce, how to produce it and for whom to produce it.
9. _____ A measure of the productive output of a country within its borders, including items produced with foreign resources.
10. _____ The monthly federal government report on inflation.
11. _____ The amount a country owes to other countries.
12. _____ A measure of the total value of all goods and services produced by the resources of a country.
13. _____ A nation's transportation and communications systems.
14. _____ The three types of resources used to produce goods and services.

15. A country's ability to produce a good or service at a lower cost than other countries.

Make Global Business Decisions p54

16. Describe situations of people, companies, and nations facing the basic economic problem of scarcity?

17. Explain how a person goes through the decision-making process many times a day, usually without thinking about the specific steps?

18. If the demand for a product in our society is high, what are some things that happen to reduce that demand?

19. Give examples of capital resources that are used by business organizations?

20. If you were creating an economic system for a country, what traits would you want it to have? Explain your answer.

21. What problems may arise when a government decides to sell government owned businesses to private companies?

22. How are people in all countries affected by poor economic conditions in less-developed countries?

23. Name a famous person who is able to do something better than anyone else. This is an absolute advantage. Now, for an example of comparative advantage, describe a person who does several things well but selects only one of these talents to make a living?

24. What actions could a country take to improve its balance of trade?

25. What factors could affect the value of a country's currency compared to that of another country?

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9. What is the difference between absolute advantage and comparative advantage?

10. What does gross domestic product (GDP) measure?

11. How does a country's balance of trade affect its foreign debt?