

COMPARATIVE ADVANTAGES

I. Reorder the sentence to make meaningful paragraphs.

Paragraph 1:

- 1 A. The modern, globalized economy is a collection of different nations and industries.
___ B. History offers many examples of ineffective and effective economic policies.
3 C. Nations that recognize and exploit comparative advantages can enjoy fast growth.
___ D. However, it is common for nations to fail to recognize their advantages and they do a poor job of exploiting them.
___ E. They all try to maximize their profits in international trade, which depends on how they leverage their comparative advantages.

Paragraph 2:

- 1 A. Nations that have chosen freer trade have been rewarded with economic growth.
___ B. It is one of very few countries that remain a self-supporting economy in an age of wide-ranging trade and hard-to-be-beaten digital communications.
3 C. Then, after opening up to foreign investment and producing goods for export, China found a comparative advantage in many types of manufacturing.
___ D. For example, for many years in the mid-20th century, China chose not to have trading relationships with many of the world's foremost economies.
___ E. China quickly became the leader in a variety of industrial and manufacturing sectors.

II. Fill in the paragraph with one of the phrases in the box.

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| <p>A. It seemed to many people that
B. to film technology to capital goods.
C. economic activity within the country
D. led to the worldwide Great Depression
E. If the US government had kept
F. to bring money back into the national economy
G. as one comparative advantage</p> |
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Consider the US economy after the disastrous stock market crash in 1929.

Even though things were bad, the US economy enjoyed comparative advantages in a number of areas from agricultural products (1) ____.

(2) ____ the doors of international trade open, US businesses would have rebounded after some trying years. Instead, Congress passed an infamously restrictive tariff usually known as the Smoot-Hawley Tariff. While the aim was to encourage both citizens and industry to “Buy American” (3) ____, things went awry. The tariff wrongly pinned most hopes for growth on (4) ____.

(6) ____ government could not formulate effective economic policies.