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CHAPTER

1

THE WORLD OF
INTERNATIONAL
ECONOMICS

INTRODUCTION

Welcome to the study of international² economics. No doubt you have become increasingly aware of the importance of international transactions in daily economic life. When people say that “the world is getting smaller every day,” they are referring not only to the increased speed and ease of transportation and communications but also to the increased use of international markets to buy and sell goods, services, and financial assets. This is not a new phenomenon, of course: in ancient times international trade was important for the Egyptians, the Greeks, the Romans, the Phoenicians, and later for Spain, Portugal, Holland, and Britain. It can be said that all the great nations of the past that were influential world leaders were also important world traders. Nevertheless, the importance of international trade and finance to the economic health and overall standard of living of a country has never been as clear as it is today.

Signs of these international transactions are all around us. The clothes we wear come from production sources all over the world: the United States to the Pacific Rim to Europe to Central and South America. The automobiles