**Unit 8 Vocabulary**

**Adam Smith:** Widely cited as the father of modern economics and capitalism and is among the most influential thinkers in the field of economics.

**Outsourcing:** when American companies move their business to another country and employ people from the new country

**Import:** goods being brought into a country

**Export:** goods being shipped out of a country

**Interdependence** : Countries are dependent on one another for goods/services/resources.

**Unfavorable Balance of trade** : when a country imports more than it exports

**Favorable Balance of Trade:** when a country exports more than it imports

**Free Trade** : when countries trade goods and do not have to pay tariffs

**North American Free Trade Agreement (NAFTA)** : a treaty among Canada, Mexico and the US that removed tariffs and other trade barriers most types of goods

**Inflation** : a rapid increase in prices over time

**Comparative Advantage:** A country should specialize in producing the goods it can produce more efficiently-at a lower opportunity cost- than another country.

**Tariff** : taxes on imported goods

**Embargo** : when the government makes it illegal to trade with another nation

**Quota** : a limit on a quantity (or amount)

**Excise tax:** a tax on a luxury good (cars, cigarettes etc.)