

**Background:** The USA and Canada have a *free market* economy. Both countries are each other's leading trading partners.

**Directions:** Read pages 159 and 169-170 to find the answers to the following questions:

1-2. Describe at least two benefits of a *free market* economy. (see page 159)

- People are free to buy, sell, & produce whatever they want
- People can work wherever they want
- Business owners have freedom in production
- Consumers can benefit from low prices due to competition

3. List at least one disadvantages of a free market economy that you can think of.

- producers can set a high price
- many businesses fail due to competition

4-5. What is the purpose of a *tariff*? Give an example of a tariff. (see page 170)

A tariff is a tax on an import. The purpose of a tariff is ~~to~~ to protect their own industries from foreign competition. In order to protect American auto makers, the US charges tariffs on Japanese and European autos.

6-7. In your opinion, do you think tariffs are a good idea? Explain why or why not.

Yes - It can prevent people from buying foreign goods

No - it raises prices for the consumers

8. List at least one benefit of NAFTA. (see page 169)

- It removed trade restrictions so North American countries can trade more freely.

9-10. In your opinion, do you think NAFTA is a good idea? Explain why or why not.

Yes - promotes exporting of US goods

No - products made in ~~USA~~ Canada or Mexico may be lower in cost and put American companies out of business.