The United States in a Global Economy

Innovations in technology and economics have transformed national and regional economies into one global economy, an economic world without strict borders where products, personnel, money, and resources intertwine. Wide-ranging developments in transportation and communications have made international trade a booming business and an economic driving force in today's world. Part of this pattern is the growth of multinational corporations, companies that produce and market goods in a number of different countries. Study the table on the next page and the text below, and then answer the questions that follow.

The United States had long based its economic prosperity on selling its industrial and agricultural goods abroad. By the 1970s, however, the United States was losing its economic dominance as more and more nations strengthened their own industries and trade. America experienced trade deficits, purchasing more from foreign nations than they sold in foreign markets. By the early 1970s, the United States had changed from a creditor nation, or a lending nation, to a debtor nation, or a borrowing one.

The United States reacted to its declining economic position by working to become more competitive in the global marketplace. In recent years, many American multinational companies have become globalized corporations, meaning that they operate throughout the world and not just in specific foreign areas.

The U.S. government also pursued ways to strengthen America's economic position in the global marketplace. Just weeks before President Clinton took office, the United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA) lifting all tariffs between the three countries. North America was transformed into the world's largest free trade area.

NAFTA offered American manufacturers an opportunity to open factories in Mexico, where wages were lower. At the same time, Mexican and Canadian markets would be more open to American products and services. Critics of the agreement argued, however, that workers are displaced when nations agree on trade pacts that lower barriers to trade.

Congress approved the treaty in November 1993, after an almost yearlong battle. During the 1990s, the American trade record was mixed. The United States achieved trading surpluses with most nations.

Table 1: U.S. Multinational Assets

U.S. Multinational	Foreign Assets (in) billions of dollars)	Foreign Sales as a % of Total Sales	Total Assets
Ford Motor Co.	52	45%	174
General Motors	50	30%	176
Exxon	49	83%	80
IBM	45	60%	60
Mobil	20	75%	38
General Electric	15	12%	155

1. What is a "global economy"?

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2. What are multinational corporations?

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3. What causes trade deficits?

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4. What is the purpose of NAFTA?

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5. What information is presented in the table?

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6. Which company has the greatest total assets? Does this company also have the greatest foreign assets? If not, which company does have the greatest foreign assets?

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7. Which companies sell more of their products nationally than internationally?

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