

1

Which of the following theorists state the following: "the more similar the demand preferences for manufactured goods in two countries, the more intensive is the potential trade in manufactures between them"

<https://selldocx.com/products/test-bank-international-business-3e-shenkar>

(A) Vernon's

(B) Adam's

(C) Leontief

(D) Linder's

Answer:

(D) Linder's

2

An example of a country with increased probability for producing technology innovations would be

(A) the USA.

(B) United Kingdom.

(C) Japan.

(D) all of the above.

Answer:

(D) all of the above.

3

The product life cycle theory would predict that washing machines will probably be produced mainly in

(A) developed countries like the US or UK.

(B) developing countries like Mexico or Brazil.

(C) lesser developed countries like Kenya or Zimbabwe.

(D) none of the above.

Answer:

(B) developing countries like Mexico or Brazil.

4

The US is one of the biggest exporters of chopsticks. This is because the US has great resources in terms of forest products. This is an example of:

(A) Factor endowments

(B) Life cycle theory

(C) Technology gaps

Answer:

(A) Factor endowments

(D
) Information usage

5

The US exports a great many technology products. This is an example of

(A) absolute advantage.

(B) comparative advantage.

(C) competitive advantage.

(D
) none of the above.

Answer:

(D
) none of the above.

6

An example of an unfair trade practice is

(A) EU Government policy prohibiting imports of US beef.

(B) EU prohibitions of Latin American bananas.

(C) US tariffs on European steel.

(D
) all of the above.

Answer:

(D
) all of the above.

7

H-O theory, according to the text, is

(A) entirely correct.

(B) not entirely obsolete.

(C) predictive of all trade.

(D
) false.

Answer:

(B
) not entirely obsolete.

8

The biggest importer of automotive products is

(A) Hungary.

(B) Germany.

Answer:

(C
) The United States.

(C) The United States.

(D)
) Canada.

9

The biggest exporting region for automotive products is

(A) Asia.

(B) North America.

(C) Europe.

(D)
) Africa.

Answer:
(C) Europe.

10

New Trade Theory specializes in

(A) advantages in promoting international trade.

(B) the role of increasing returns in predicting trade.

(C) the role of consumer preferences in predicting trade.

(D)
) bribe paying as a predictor of international trade.

Answer:
(B) the role of increasing returns in predicting trade.

11

Which of the following is not an element of Vernon's PLC?

(A) smuggling

(B) product maturity

(C) level of economic development

(D)
) dispersal of innovations

Answer:
(A) smuggling

12

A technology gap

(A) is a difference in technical capabilities

Answer:
(A is a difference in technical capabilities that promotes innovation.

that promotes innovation.

- (B) a technical difference between industries
- (C) heightened progress that promotes computer use.
- (D) all of the above.

13

The concept of comparative advantage indicates that trade exists when

- (A) there is a desire for trade between companies.
- (B) there is a relative cost or productivity advantage over other nations producing the same good.
- (C) the company trading is at a competitive position.
- (D) there is a lack of trade policy transparency.

Answer:

(B) there is a relative cost or productivity advantage over other nations producing the same good.

14

By definition, trade is _____ to predict

- (A) difficult
- (B) easy
- (C) unimportant
- (D) none of the above

Answer:

(A) difficult

15

The more correct purpose of international trade theory is to

- (A) bore everyone thoroughly.
- (B) explain, predict and control international trade practice
- (C) promote academics in their respective professions.

Answer:

(B) explain, predict and control international trade practice

- (D explain why at least one company
) trades with another.

16

When the WTO ruled that the EU violated international law by establishing tariffs and quotas on Latin American bananas, the outcome was

- (A) that the EU was obligated to change its policies.
- (B) the EU could no longer import bananas for a specified time
- (C) the EU was in danger of going to war with Costa Rica.
- (D there needed to be extended negotiations to overcome the trade
) impasse.

Answer:

(D there needed to be extended negotiations to overcome the trade
) impasse.

17

In terms of overall trade patterns, the fastest growing segment listed i

- (A) transportation.
- (B) agriculture.
- (C) mining products.
- (D manufacturing.
)

Answer:

(D manufacturing.
)

18

Movement of production from advanced high-income economies to low-income economies indicates a movement along

- (A) a usage curve.
- (B) a learning curve.
- (C) an economy of scale line.
- (D a product life cycle.
)

Answer:

(D a product life cycle.
)

19

An example of a factor that will likely perpetuate production is

- (A) a natural resource like lumber or water power.

Answer:

(B) plentiful labor.

(C) a mineral resource like gold or tin.

(D) all of the above.

(D) all of the above.

20

Which stage of Product Life Cycle is characterized by production of standardized products with stable techniques and intense price competition?

(A) new-product stage

(B) growth stage

(C) maturity stage

(D) decline stage

Answer:

(C) maturity stage

21

The _____ is associated with the later portion of the export monopoly (A–B) and the start of foreign production (C).

(A) new-product stage

(B) growth stage

(C) maturity stage

(D) decline stage

Answer:

(B) growth stage

22

The _____ is associated with the first production of the product in the innovating country (0–A) and the early portion of the export monopoly stage.

(A) new-product stage

(B) growth stage

(C) maturity stage

(D) decline stage

Answer:

(A) new-product stage

23

_____ theory further developed the imitation-gap approach by suggesting that changes occur in the input requirements of a new product as it becomes established in a market and standardized in production.

(A) Vernon's

(B) Adam's

(C) Leontief

(D) Heckscher-Ohlin

Answer:

(A) Vernon's

24

A _____ occurs when the relative prices of labor and capital change over time, which changes the relative mix of capital and labor in the production process of a commodity from being capital intensive to labor intensive (or vice versa).

(A) factor-intensity reversal

(B) demand bias for capital-intensive

(C) factor-intensity trade barriers

(D) none of the above

Answer:

(A) factor-intensity reversal

25

Based on Leontief Theory, which of the following paradoxes is correct?

(A) demand bias for capital-intensive goods and existence of trade barriers

(B) importance of natural resources

(C) prevalence of factor-intensity reversals

(D) all of the above

Answer:

(D) all of the above

26

_____ argues that the exchange of goods between agricultural and industrial countries would result in an increase in the previously relatively low levels of land rents and a drop in the high level of industrial wages in the agricultural country.

(A) Absolute Advantage law of factor price equalization

(B) Heckscher-Ohlin law of factor price

Answer:

(B) Heckscher-Ohlin law of factor price equalization

equalization

(C) Balance of Trade

(D)
) None of the above

27

In the Heckscher-Ohlin Theorem, _____ function shows the amount of output that can be produced by using a given quantity of capital and labor.

(A) revenue

(B) trade

(C) production

(D)
) labor

Answer:

(C
) production

28

In today's world economy, comparative advantage must be explained by reference to differences in

(A) comparative production cost.

(B) production factors.

(C) both A and B.

(D)
) none of the above.

Answer:

(B
) production factors.

29

Which of the following statement is true?

(A) A country has a comparative advantage in producing a good if the opportunity cost for producing the good is higher at home than in the other country.

(B) A country has a comparative advantage in producing a good if the opportunity cost for producing the good is the same at home and in the other country.

(C) A country has a comparative advantage in producing a good if the opportunity cost for producing the good is lower at home than in the other country.

Answer:

(C) A country has a comparative advantage in producing a good if the opportunity cost for producing the good is lower at home than in the other country.

(D None of the above are true.
)

30

_____ means literally "let make freely" or, more generally, "freedom of enterprise and freedom of commerce."

(A) Laissez faire

(B) Absolutism

(C) Globalization

(D Balance of trade
)

Answer:

(A Laissez faire
)

31

What were the primary goals of Mercantilism Theory?

(A) increase the wealth of the nation by acquiring gold

(B) to extract trade gains from foreigners through regulations and controls so as to achieve a surplus in the balance of trade through maximizing exports

(C) minimizing imports

(D all of the above
)

Answer:

(D all of the above
)

32

What is the first international trade theory?

(A) mercantilism

(B) absolute advantage

(C) laissez faire

(D none of the above
)

Answer:

(A mercantilism
)

33

_____ is the exchange of goods and services across borders.

(A) International trade

(B) Foreign trade

Answer:

(D Only A and B
)

(C) Local trade

(D) Only A and B

34

Europe and Asia have a relative advantage in producing steel, primarily because factories in those regions are newer and more efficient. This is an example of

(A) relative advantage.

(B) comparative advantage.

(C) factor endowments.

(D) money laundering.

Answer:

(B) comparative advantage.

35

Which of the following is an example of absolute advantage?

(A) A forest where rare species of flower grows.

(B) A country where it is cheaper to produce coffee.

(C) A country where products have been produced for a great many years.

(D) All of the above are examples.

Answer:

(A) A forest where rare species of flower grows.

36

New trade theory postulates that trade is explained and predicted by all except

(A) economy of scale.

(B) increasing returns.

(C) inter/intra industry trade.

(D) consumer preferences.

Answer:

(D) consumer preferences.

37

The product life cycle theory was introduced by

(A) Adam Smith.

(B) Michael Porter.

(C) John Vernon.

(D) Raymond Vernon

Answer:

(C) John Vernon.

38

The context for explaining trade on the basis of human skills was the lack of the following types of human skills

(A) scientist, managerial, technical and skilled labor skills

(B) light assembly skills.

(C) manual dexterity and uniform skills.

(D) clerical and stenographical skills.

Answer:

(A) scientist, managerial, technical and skilled labor skills

39

Mercantilists identified national wealth with the size of a nation's reserves of precious metals.

(A) True

(B) False

Answer:

(A) True

40

Under mercantilism, the government had two goals in foreign economic policy.

(A) True

(B) False

Answer:

(A) True

41

Mercantilism places great faith in government to improve the well-being of people, using economic controls.

(A) True

(B) False

Answer:

(A) True

)

42

International (or foreign) trade is the exchange of goods and services across borders

(A) True
)

Answer:

(A) True

(B) False
)

43

Mercantilists identified national wealth with the size of a nation's reserves of precious metals.

(A) True
)

Answer:

(A) True

(B) False
)

44

According to New Trade Theory, nations trade because of national advantages only.

(A) True
)

Answer:

(B) False

(B) False
)

45

Developed countries trade more than lesser developed ones.

(A) True
)

Answer:

(A) True

(B) False
)

46

High income countries will tend to produce product innovations before lower income countries, according to Vernon.

(A) True
)

Answer:

(A) True

(B) False
)

47

Nations will tend to import goods where there are human and/or technology gaps in the national infrastructure.

(A True
)

Answer:

(A) True

(B False
)

48

Nations may produce goods where they have disadvantages due to demand biases or even trade barriers.

(A True
)

Answer:

(A) True

(B False
)

49

Government policies, like minimum wage, will tend to throw off production preferences based upon comparative advantage.

(A True
)

Answer:

(A) True

(B False
)

50

According to Ricardo, if England has a higher opportunity cost of producing wine over textiles, it should produce wine.

(A True
)

Answer:

(B) False

(B False
)

51

According to Adam Smith, if Morocco produces oil related products better than any other country, it should concentrate on that type of production while importing other necessities.

(A True
)

Answer:

(A) True

(B False
)

52

Smith argued that all nations would benefit from unregulated, free trade

(A) True
)

Answer:

(A) True

(B) False
)

53

Production function shows the amount of output that can be produced by using a given quantity of capital and labor.

(A) True
)

Answer:

(A) True

(B) False
)

54

Production can be predicted by human skills and technology gaps existing in an economy.

(A) True
)

Answer:

(A) True

(B) False
)

55

The second policy of mercantilists is to extract trade gains from foreigners through regulations and controls so as to achieve a surplus in the balance of trade through maximizing exports.

(A) True
)

Answer:

(A) True

(B) False
)

56

Gold reserves represent a minor portion of national foreign exchange reserves.

(A) True
)

Answer:

(A) True

(B) False
)

57

In the search for explanations of the Leontief Paradoxes, economists explored all of these except

- (A) demand biases for capital intensive goods.
- (B) existence of trade barriers.
- (C) use of minimum wages and welfare programs.
- (D) factor intensity reversals.

Answer:

(A) demand biases for capital intensive goods.

58

H-O explains the link between

- (A) factor endowments and life cycles.
- (B) factor endowments and comparative advantage.
- (C) comparative advantage and competitive advantage.
- (D) life cycles and natural resources.

Answer:

(B) factor endowments and comparative advantage.

59

David Ricardo wrote on _____ Advantage Theory

- (A) Absolute
- (B) Competitive
- (C) National
- (D) Comparative

Answer:

(D) Comparative

60

Absolute Advantage theory was introduced by

- (A) David Ricardo
- (B) Adam Smith
- (C) Niccolo Machiavelli
- (D) Raymond Vernon

Answer:

(B) Adam Smith

)

61

Mercantilism is a doctrine that emerged in the

(A) eighteenth century

(B) fifteenth century

(C) sixteenth century

(D) nineteenth century

Answer:

(C) sixteenth century

62

The Leontief theories challenge Heckscher-Ohlin's suppositions.

(A) True

(B) False

Answer:

(A) True

63

Heckscher-Ohlin advocates that nations should produce goods where there are favorable factor endowments.

(A) True

(B) False

Answer:

(A) True

64

All trade theories explain trade equally well.

(A) True

(B) False

Answer:

(B) False

65

Nations should produce goods and services where they possess a comparative production cost advantage and favorable production factors.

(A) True

Answer:

(A) True

(B) False
)

66

The concept of comparative advantage advocates the analysis of opportunity costs in choosing those goods and services to produce at home.

(A) True
)

Answer:

(A) True

(B) False
)

67

The concept of Absolute Advantage indicates that nations should encourage production in goods and services where those nations possess absolute production advantages over other nations.

(A) True
)

Answer:

(A) True

(B) False
)

68

The concept of mercantilism indicates that maximizing national wealth as expressed by a trade surplus is a desirable thing.

(A) True
)

Answer:

(A) True

(B) False
)

69

Laissez-faire means literally "make freely" or, more generally, "freedom of enterprise and freedom of commerce."

(A) True
)

Answer:

(A) True

(B) False
)

70

Lower comparative production costs, in comparison with other nations, would indicate the need to produce at home.

(A) True
)

Answer:

(A) True

(B) False
)

71

Adam Smith wrote primarily about comparative advantage.

(A) True
)

Answer:

(B) False

(B) False
)

72

Governments use gold reserves to intervene in foreign exchange markets.

(A) True
)

Answer:

(A) True

(B) False
)

73

According to Leontief, government agendas and industrial biases will vary production based upon factor endowments.

(A) True
)

Answer:

(A) True

(B) False
)