

2. _____ considers the relative production efficiency of a nation when determining where to concentrate international trade.
- Comparative Advantage**
 - Absolute Advantage
 - Neo-mercantilism
 - Crony capitalism
3. Determining export value according to how much of a domestic commodity each nation must exchange in order to obtain an equivalent amount of an imported commodity is known as _____.
- Capitalism
 - Comparative Advantage
 - Balance of Trade
 - Terms of Trade**
4. Factor Endowment Theory was originally postulated by _____.
- Heckle and Jeckle
 - Hirschman & Herfindahl
 - Heckscher & Olin**
 - Ajami & Goddard
5. The Leontief Paradox can best be described as _____.
- U.S. imports were concentrated in furniture and fixtures
 - U.S. exports were more capital intensive than imports
 - U.S. exports were less capital intensive than imports**
 - U.S. exports were concentrated in agriculture
6. KFC Chicken would be considered at which stage of the international product life cycle theory?
- First phase (innovation)
 - Second phase (growth of product)
 - Third phase (maturity)**
 - Fourth phase (decline)
7. Examples of Classical Economists are all except _____.
- Adam Smith
 - Thomas Malthus
 - John Stuart Mill
 - Sören Kierkegaard**
8. The United States would most reasonably be considered to be in which stage of Rostow's stages of economic growth?
- Stage Three: Takeoff
 - Stage Four: Meltdown
 - Stage Five: Age of Mass Consumption**
 - Stage Six: Decline

9. Which of the following is not part of Galbraith's framework for successfully industrializing a poor economy?
- a. Reliable infrastructure system
 - b. Training and specialized education
 - c. **Capital outflows to developed nations**
 - d. Absence of excessive taxation
10. Which of the following is not part of Amartya Sen's framework for development?
- a. Transparency guarantees
 - b. Social opportunities
 - c. Economic facilities
 - d. **Political security**

True False Questions

- 1. Mercantilism rose to prominence during the late 19th century. **False**
- 2. The terms of trade are a ratio of export prices relative to import prices. **True**
- 3. Hernando De Soto theorized that foreign land acquisitions were the key to economic development. **False**
- 4. The higher the resource units required for the production of a product relative to a competitor, the more likely that absolute advantage exists. **False**
- 5. Under Porter's National Competitive Advantage Theory, a successful domestic industry should stimulate local supplier activity. **True**

Chapter Four End of Chapter Answer Key

Discussion Questions

- 1. What is the difference between a hard currency and a soft currency?
Currencies that have a fairly wide acceptance for the settlement of international obligations and that are used as a medium of international business transactions are known as hard currencies. Soft currencies are not widely accepted as a medium for settling international transactions and there is no free market available for them.
- 2. What was the importance of gold in the early international monetary system? What problems arose under this system?
Gold served as the basis of the international monetary system from 1880 to WWI. It was the common basis for the determination of currency value, replacing bimetallism. The system worked well until 1914 and the outbreak of WWI. The need to finance the war effort shook the confidence in the gold system with a floating system replacing the gold standard during the interwar period.
- 3. Describe the Bretton Woods Agreement. What position did gold hold in this system?
After WWII, world economic and political leaders met in Bretton Woods, NH in order to determine the go forward international monetary system model. The Bretton Woods system adopted gold as the standard but left some room for