

File: Ch01; Chapter 1: Introduction

Multiple Choice

1. Which of the following products are not produced at all in the United States?

- a. Coffee, tea, cocoa
- b. steel, copper, aluminum
- c. petroleum, coal, natural gas
- d. typewriters, computers, airplanes

Ans: a

Level: Easy

Heading: The Globalization of the World Economy

2. International trade is most important to the standard of living of:

- a. the United States
- b. Switzerland
- c. Germany
- d. England

Ans: b

Level: Easy

Heading: International Trade and a Nation's Standard of Living

3. Over time, the economic interdependence of nations has:

- a. grown
- b. diminished
- c. remained unchanged
- d. cannot say

Ans: a

Level: Easy

Heading: International Trade and a Nation's Standard of Living

4. A rough measure of the degree of economic interdependence of a nation is given by:
- a. the size of the nations' population
 - b. the percentage of its population to its GDP
 - c. the percentage of a nation's imports and exports to its GDP
 - d. all of the above

Ans: c

Level: Easy

Heading: International Trade and a Nation's Standard of Living

5. Economic interdependence is greater for:
- a. small nations
 - b. large nations
 - c. developed nations
 - d. developing nations

Ans: a

Level: Easy

Heading: International Trade and a Nation's Standard of Living

6. The gravity model of international trade predicts that trade between two nations is larger
- a. the larger the two nations
 - b. the closer the nations
 - c. the more open are the two nations
 - d. all of the above

Ans: d

Level: Medium

Heading: The International Flow of Goods, Services, Labor and Capital

7. International economics deals with:
- a. the flow of goods, services, and payments among nations
 - b. policies directed at regulating the flow of goods, services, and payments
 - c. the effects of policies on the welfare of the nation
 - d. all of the above

Ans: d

Level: Easy

Heading: International Economic Theories and Policies

8. International trade theory refers to:
- a. the microeconomic aspects of international trade
 - b. the macroeconomic aspects of international trade
 - c. open economy macroeconomics or international finance
 - d. all of the above

Ans: a

Level: Easy

Heading: International Economic Theories and Policies

9. Which of the following is not the subject matter of international finance?
- a. foreign exchange markets
 - b. the balance of payments
 - c. the basis and the gains from trade
 - d. policies to adjust balance of payments disequilibria

Ans: c

Level: Easy

Heading: International Economic Theories and Policies

10. Economic theory:
- a. seeks to explain economic events
 - b. seeks to predict economic events
 - c. abstracts from the many detail that surrounds an economic event
 - d. all of the above

Ans: d

Level: Medium

Heading: International Economic Theories and Policies

11. Which of the following is not an assumption generally made in the study of international economics?
- a. two nations
 - b. two commodities
 - c. perfect international mobility of factors
 - d. two factors of production

Ans: c

Level: Medium

Heading: International Economic Theories and Policies

12. In the study of international economics:
- a. international trade policies are examined before the bases for trade
 - b. adjustment policies are discussed before the balance of payments
 - c. the case of many nations is discussed before the two-nations case
 - d. none of the above

Ans: d

Level: Medium

Heading: International Economic Theories and Policies

13. International trade is similar to interregional trade in that both must overcome:
- a. distance and space
 - b. trade restrictions
 - c. differences in currencies
 - d. differences in monetary systems

Ans: a

Level: Easy

Heading: International Economic Theories and Policies

14. The opening or expansion of international trade usually affects all members of society:
- a. positively
 - b. negatively
 - c. most positively but some negatively
 - d. most negatively but some positively

Ans: c

Level: Easy

Heading: International Economic Theories and Policies

15. An increase in the dollar price of a foreign currency usually:
- a. benefit U.S. importers
 - b. benefits U.S. exporters
 - c. benefit both U.S. importers and U.S. exporters
 - d. harms both U.S. importers and U.S. exporters

Ans: b

Level: Medium

Heading: International Economic Theories and Policies

16. Which of the following statements with regard to international economics is true?

- a. It is a relatively new field
- b. it is a relatively old field
- c. most of its contributors were not economists
- d. none of the above

Ans: b

Level: Easy

Heading: International Economic Theories and Policies

17. Today roughly _____ million people live in countries other than the one in which they were born.

- a. 500
- b. 100
- c. 50
- d. 200

Ans: d

Level: Easy

Heading: The International Flow of Goods, Services, Labor and Capital

18. Today the largest net exporter of capital in terms of the total world percentage is

- a. Japan
- b. The United States
- c. Germany
- d. China

Ans: c

Level: Easy

Heading: The International Flow of Goods, Services, Labor and Capital

19. The 2008 and 2009 financial and economic crisis began in

- a. U.S. subprime housing mortgage markets
- b. Chinese export markets
- c. The Japanese stock market
- d. Russian foreign exchange markets

Ans: a

Level: Easy

Heading: Current International Economic Problems

20. Today, how many people live on less that \$1.25 a day across the globe.
- a. Roughly 1 billion
 - b. Roughly 1 million
 - c. Roughly 1 trillion
 - d. Roughly 100 million

Ans: a

Level: Easy

Heading: Current International Economic Problems

Short Answer

21. What does the term “globalized world” mean?

Ans: It means we can connect instantly with any corner of the world, that we consume good from around the world, that tastes are converging, that worker can increasingly migrate for work, and that people can invest in companies anywhere in the world.

Level: Easy

Heading: The Globalization of the World Economy

22. What does the gravity model suggest?

Ans: That bilateral trade is positively related to the product of two countries GDP's and is smaller the greater distance between the two nations.

Level: Medium

Heading: The International Flow of Goods, Services, Labor and Capital

23. Identify at least three of the major international problems facing the world today.

Ans: Slow growth in advanced economies, China as a leading world power, trade protectionism, volatility in exchange rates and financial crises, structural imbalances in advance economies and insufficient restructuring in transition economies, poverty in many developing nations, environmental degradation and climate change

Level: Medium

Heading: Current International Economic Problems

24. Identify some of the criticisms of the anti-globalization movement.

Ans: Increased world income inequality, child labor, environmental pollution.

Level: Easy

Heading: The Globalization of the World Economy

25. Identify some of the topics that international economics studies

Ans: The basis and gains from trade, the reasons and effects of protectionism, the flow of international payments, exchange rate systems and determination, macroeconomic policy in an open economy.

Level: Easy

Heading: International Economic Theories and Policies