CHAPTER 1
*(Core Chapter)

INTRODUCTION

Multiple-Choice Questions

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

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

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

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

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

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

5. Economic interdependence is greater for:

*a. small nations
b. large nations
c. developed nations
d. developing nations

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

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

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

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

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

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

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

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

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

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

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