____ 17. The huge differences in standards of living across the many different countries of the world are largely the result of:
* a. different rates of economic growth during the last two centuries.
b. different economic growth performances dating back for thousands of years.
c. different rates of population growth.
d. sharp declines in per capita real output in what are now poor countries.

____ 18. The relative equality of per capita incomes throughout the world before the 19th century was due to the fact that:
a. virtually all economies grew at similarly high rates.
b. population growth was much more similar in all countries.
* c. no country had ever grown very fast.
d. None of the above; per capita incomes across countries were much less equal before the 19th century than they are today.

____ 19. World economic growth over the past 200 years has been characterized by:
a. convergence of per capita output across nations..
b. stagnation.
c. a slowdown from earlier centuries.
* d. divergence of per capita output across nations.

_____ 20. Dynamic models:
a. describe how the model=s equilibrium changes as the result of a change in one variable.
b. are not appropriate for analyzing globalization=s effects on economic growth.
* c. trace the economy=s path of adjustment as it moves from one equilibrium to another.
d. describe the one-time changes that result from some outside variable=s one-time change.

_____ 21. According to the static Heckscher-Ohlin model of trade, when countries trade, they are able to reach points outside their production possibilities frontier (PPF) because of:
a. economies of scale.
b. foreign exploitation.
* c. specialization and exchange.
d. technological progress.

_____ 22. Referring to the production possibilities frontier (PPF) with international trade, trade triangles:
* a. grow larger with more total trade.
b. grow larger with less total trade.
c. grow larger with more exports only.
d. grow larger with more imports only.

_____ 23. Referring to partial equilibrium analysis, deadweight losses are also referred to as:
a. trade triangles.
b. quota rent.
c. Okun=s gap.
* d. Harberger triangles.

_____ 24. Most estimates of the total static costs of protectionism find:
* a. the losses are less than 5 percent of GDP.
b. the losses range from 6 percent to 10 percent of GDP.
c. the losses range from 11 percent to 25 percent of GDP.
d. the losses range from 26 percent to 50 percent of GDP.

_____ 25. The fact that the ratio of the highest level of per capita real output to the lowest level of per capita real output has <u>increased</u> is evidence of:
a. convergence.
* b. divergence.

c. economic growth.
d. a lowering of standards of living.

_____ 26. According to Angus Maddison, world economic growth began to occur:
a. with the discovery of agriculture.
b. with the invention of democracy.
* c. the 19th century.
d. at the height of the Roman Empire.

_____ 27. Which region of the world today has the lowest per capita income?
A. Eastern Europe.
b. Asia.
* c. Africa.
d. Latin America.

_____ 28. Since 1950, world trade has grown _________ world output.
* a. faster than.
b. slower than.
c. at the same rate as.
d. in opposite directions as.

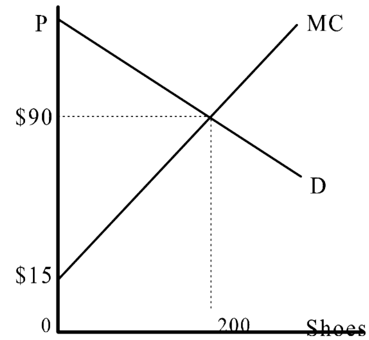
Multiple Choice Questions for Supplement 1A

For each question, select the statement that best answers the question or completes the sentence:

____ 1. Producer surplus is:
a. the area between the supply curve and the market price.
b. the difference between total revenue and total variable costs.
c. the net welfare gain to producers from being able to produce and sell their product.
* d. All of the above.
e. None of the above.

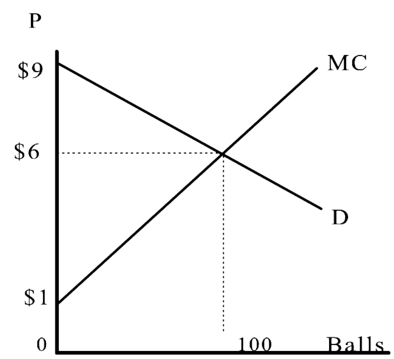
____ 2. Consumer surplus is:
a. the area between the demand curve and the market price.
b. the difference between welfare gained from consuming the equilibrium level of output and the total revenue paid to producers.
c. the net welfare gain to consumers from being able to buy and consume a product.
* d. All of the above.
e. None of the above.

____ 3. Suppose that the market for running shoes looks as in the figure on the right. Producer surplus is equal to:
a. $15,000.
b. $90.
* c. $7,500.
d. $18,000.
e. None of the above.



The Market for Running Shoes

____ 4. Suppose that the market for soccer balls looks as in the figure on the right. Consumer surplus is equal to:
* a. $150.
b. $600.
c. $900.
d. $750.
e. None of the above.



The Market for Soccer Balls

____ 5. The two-country partial equilibrium model of international trade shows that:
* a. international trade simultaneously affects consumer and producer welfare in both the importing and exporting economies.
b. in markets where a country is an exporter, consumers gain and competing domestic producers lose welfare.
c. in markets where a country is an importer, consumers lose welfare when the competition from foreign consumers forces them to pay more for the goods.
d. All of the above.
e. None of the above.

____ 6. According to the two-country general equilibrium (PPF/indifference curves) model, a country=s comparative advantage depends on:
a. each country=s opportunity costs of production.
b. each country=s consumer tastes.
c. each country=s resource endowment.
* d. All of the above.
e. None of the above.

____ 7. According to the two-country general equilibrium (PPF/indifference curves) model, if both countries= production possibilities frontiers are identical, then:
a. both countries must have the identical resource endowments and technology.
b. the two countries could still have different comparative advantages if their tastes differ.
c. the two countries could find that international trade is not welfare-increasing.
* d. All of the above.
e. None of the above.

____ 8. According to the two-country general-equilibrium model, international trade is a:
* a. positive-sum game in which both players win.
b. zero-sum game in which one side wins and the other loses.

c. negative-sum game in which both sides end up worse off than if they had not played.
d. indeterminate game, in which there are sometimes winners and sometimes there are losers.

Multiple Choice Questions for Supplement 1B

For each question, select the statement that best answers the question or completes the sentence:

____ 1. The *Rule of 72* says that:
a. a quantity that grows at 1% will double in size in about 72 years.
b. a quantity that grows at 7.2% will double in about ten years.
c. a quantity that grows at at 10% will double in about 7.2 years.
* d. all of the above.
e. none of the above.

____ 2. The *Rule of 72* says that:
a. a quantity that grows at 10% will double in size in about 72 years.
b. a quantity that grows at 7.2% will double in 100 years.
* c. a quantity that grows at at 7.2% will double in about 10 years.
d. none of the above.

____ 3. The *Rule of 72* says that:
a. a quantity that grows at 1% will double in size in about 72 years.
* b. a quantity that grows at 7.2% will double in about 10 years.
c. a quantity that grows at 1% will double in about 7.2 years.
d. none of the above.

Multiple-Choice Questions Covering Textbook Chapter 2

____ 1. Statistical studies that have looked at the sources of economic growth have found:
* a. evidence of a positive relationship between international trade and economic growth.
b. evidence of a negative relationship between international trade and economic growth.
c. no evidence of a significant relationship between international trade and economic growth.
d. widely varying evidence that permits no conclusions whatsoever about the relationship between international trade and economic growth.

____ 2. After classifying countries as either Astrongly outward-oriented,@ Amoderately outward-oriented,@ Amoderately inward-oriented,@ or Astrongly inward-oriented,@ an influential 1987 World Bank study found that the average growth rates of the:
a. Amoderately outward-oriented@ economies were by far the highest of the four groups.
b. Astrongly inward-oriented@ economies were by far the highest of the four groups.
c. Amoderately inward-oriented@ economies were by far the highest of the four groups.
* d. Astrongly outward-oriented@ economies were by far the highest of the four groups.

____ 3. In their popular study, Jeffrey Sachs and Andrew Warner classified countries as being either open or closed to trade, and they found:

a. a strong association between openness and growth within the group of developing countries.

b. a strong association between openness and growth within the group of developed countries.

c. no association between openness and growth within the group of developing economies.

* d. a and b only.

e. None of the above.

____ 4. While the empirical studies clearly tell us that economic growth tends to be higher when a country opens its economy to international trade and international investment, these same studies:

a. have been able to help us determine exactly *why* this relationship occurs so persistently.

* b. have not been able to help us determine *why* this relationship holds so persistently.

c. have also been able to prove, once and for all, that trade *causes* economic growth.

d. have clearly contradicted everything that trade theory and growth theory predict.

____ 5. The Asources of growth@ equation decomposes the rate of growth of real output into:

* a. the rate of growth of technology, capital=s share of income times the rate of growth of the capital stock, and labor=s share of national income times the growth of labor.

b. the sum of (1) the growth rates of the reproducible factors plus (2) the rate of growth of total factor productivity.

c. the product of the average growth rate of the productive factors and the rate of growth of total factor productivity.

d. ratio of the average growth rate of the productive factors and the rate of growth of total factor productivity.

____ 6. All of the following types of empirical techniques have found a significantly positive relationship between trade and growth except:

a. cross-section analysis.

b. time-series analysis.

c. simultaneous equation model analysis.

* d. causality analysis.

_____ 7. As of date, the most significant challenge to the positive empirical results linking trade and growth is the issue brought up by Rodriguez and Rodrik, namely that:

a. there is significant correlation between the variables used in past empirical models.

b. statistical non-stationarity issues have cast a doubt on the validity of past empirical findings.

* c. international trade variables capture the influences of other omitted variables, such as institutions.

d. past studies only used fast-growing economies that guaranteed a significant trade-growth relationship.

_____ 8. Empirical studies of the relationship between foreign trade and economic growth most often specified the linear econometric models based on:

* a. the Cobb-Douglass production function.

b. the Penn World function.

c. the Kremer production function.

d. the Granger causality function.

_____ 9. According to cross-section, time-series, and per-capita income regression summaries, a one-percentage increase in exports is significantly associated with roughly a ______ increase in economic growth:

* a. one-fifth of one percent.

b. one-half of one percent.

c. one percent.

d. two percent.

_____ 10. The Feder=s (1982) model and findings suggest all of the following reasons for why trade has a positive impact on growth ***except***:

a. the export sector of the economy is more productive than the non-export sector.