

# Test Bank

**Carol O. Stivender**

*University of North Carolina at Charlotte*

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# INTRODUCTION TO INTERNATIONAL ECONOMICS

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**Dominick Salvatore**

*Fordham University*



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## Chapter 1 - Introduction

### Multiple Choice

1. In many developing nations, \_\_\_\_\_ provide employment opportunities and \_\_\_\_\_ to pay for the many products that cannot be produced in the home country.
- A) imports, earnings
  - B) exports, earnings
  - C) exports, outputs
  - D) imports, outputs

Answer: B Page: 5

2. The economic relationship and integration among nations is defined as:
- A) microeconomics
  - B) economic interdependence
  - C) macroeconomics
  - D) open economies

Answer: B Page: 5

3. The ratio between a country's imports and exports of goods or services to their gross domestic product (GDP) is a measure of that country's:
- A) microeconomics
  - B) openness as an economy
  - C) macroeconomics
  - D) economic interdependence

Answer: D Page: 5

4. The total value of all goods and services produced within a nation's borders is called:
- A) GDP
  - B) net exports
  - C) current account balance
  - D) GNP

Answer: A Page: 5

5. The economic interdependence among nations has \_\_\_\_\_ over recent history.
- A) decreased
  - B) remained the same
  - C) increased
  - D) none of the above

Answer: C Page:6

6. In 2001, the world GDP \_\_\_\_\_, while the world trade level \_\_\_\_\_ by 1 percent.
- A) decreased, increased
  - B) increased, decreased
  - C) decreased, decreased
  - D) increased, increased

Answer: B Page: 6

7. When interest rates increase in the United States, capital flows from abroad will:
- A) increase
  - B) decrease
  - C) no change
  - D) none of the above

Answer: A Page: 7

8. Which of the following analyzes the basis for and gains from trade?
- A) Balance of payments
  - B) Foreign exchange market
  - C) International trade policy
  - D) International trade theory

Answer: D Page: 9

9. Which of the following examines the reasons for and effects of trade restrictions?
- A) Balance of payments
  - B) Foreign exchange market
  - C) International trade policy

D) International trade theory

Answer: C Page: 9

10. A summary statement of all the international transactions of the residents of a nation with the rest of the world during a particular period of time is called:

- A) Balance of payments
- B) Net exports
- C) GNP
- D) GDP

Answer: A Page: 9

11. The framework for the exchange of one national currency for another is:

- A) the central bank
- B) the foreign exchange market
- C) the bond market
- D) the World Trade Organization

Answer: B Page: 9

12. The open-economy macroeconomic processes for correcting balance-of-payments disequilibria are collectively called :

- A) discretionary fiscal policy
- B) foreign exchange market
- C) monetary policy
- D) adjustment in the balance of payments

Answer: D Page: 9

13. International trade theory and policies as they relate to individual nations are the \_\_\_\_\_ aspects of international economics.

- A) International finance
- B) microeconomic
- C) national income accounting
- D) macroeconomic

Answer: B Page: 9

14. \_\_\_\_\_ has grown at a faster rate than \_\_\_\_\_, indicating an increase in economic interdependence among nations.
- A) World trade, world production
  - B) US GDP, world GDP
  - C) World production, world trade
  - D) Output in the US, incomes in the US

Answer: A Page: 6

15. What are the microeconomic aspects of international economies?
- A) Balance of payments issues
  - B) International trade theory and policies
  - C) Adjustments in the balance of payments
  - D) GDP

Answer: B Page: 9

16. An inflow of capital funds to the United States tends to increase the international value of the dollar, stimulating \_\_\_\_\_ and discouraging \_\_\_\_\_.
- A) US exports, US imports
  - B) US imports, economic activity abroad
  - C) US economic activity, economic activity abroad
  - D) US imports, US exports

Answer: D Page: 7

17. The study of the whole economy, such as the total receipts and payments of a nation and the general price index, is considered to be a:
- A) microeconomic application
  - B) macroeconomic application
  - C) both micro and macroeconomic application
  - D) foreign exchange application

Answer: B Page: 10

18. The study of foreign exchange markets, the balance of payments, and adjustment to balance-of-payments disequilibria is:

- A) Open-economy macroeconomics
- B) International finance
- C) Both A and B
- D) none of the above

Answer: C Page: 10

19. A nation that has an open economy:

- A) allows private ownership of capital
- B) has flexible exchange rates
- C) has fixed exchange rates
- D) trades with other nations

Answer: D Page: 10

20. The most effective trade policy would be \_\_\_\_\_, which allows each nation to specialize in efficient production of commodities.

- A) free trade
- B) protectionism
- C) a closed economy
- D) none of the above

Answer: A Page:10

21. Trade restrictions usually benefit a large majority of the \_\_\_\_\_ in the nation at the expense of a silent majority of \_\_\_\_\_.

- A) consumers, producers
- B) producers, consumers
- C) importers, exporters
- D) exporters, importers

Answer: B Page: 11

22. The world usually breaks up into which three primary trading blocs?

- A) NAFTA, EU, and EFTA
- B) North American, European, and Asian
- C) NAFTA, EU and Benelux

D) North American, European, and South American

Answer: B Page: 11

23. Which of the following countries are members of the North American trading bloc?
- A) United States, Mexico, and Brazil
  - B) United States, Canada, and Greenland
  - C) United States, Canada, and Mexico
  - D) United States, Mexico, and Central America

Answer: C Page: 11

24. The persistence of \_\_\_\_\_ in exchange rates has led the international community to call for reforms of the current international monetary system.
- A) excessive volatility and disequilibria
  - B) long run stability
  - C) arbitrage opportunities
  - D) equilibria

Answer: A Page: 11

25. The field of international economics:
- A) is a relatively new branch of economic study
  - B) includes contributions from distinguished economists like Adam Smith, David Ricardo and Alfred Marshall
  - C) includes macroeconomics, but not microeconomics, issues.
  - D) includes microeconomics, but not macroeconomics, issues.

Answer: B Page: 10

26. With respect to international trade in the real world:
- A) most nations impose some restrictions limiting the free flow of goods.
  - B) most nations have eliminated all barriers to free trade.
  - C) most nations have a completely closed economy.
  - D) None of the above

Answer: A Page: 11

27. \_\_\_\_\_ in the United States attracts funds from other nations.
- A) An increase in net exports
  - B) A decrease in interest rates
  - C) An increase in the inflation rate
  - D) An increase in interest rates

Answer: D Page: 7

28. Though each nation's economic collapse in the 1990's was different, most were precipitated by a massive and sudden \_\_\_\_\_.
- A) inflow of short-term capital
  - B) withdrawal of short-term capital
  - C) inflow of illegal immigrants
  - D) volatility of short-term interest rates

Answer: B Page: 11

29. In the last decade, Western Europe averaged a \_\_\_\_\_ percent unemployment rate.
- A) 15
  - B) 20
  - C) 5
  - D) 10

Answer: D Page: 12

30. In the last decade, the United States averaged a \_\_\_\_\_ percent unemployment rate
- A) 15
  - B) 20
  - C) Less than 5
  - D) 10

Answer: C Page: 12

31. During the last decade, almost \_\_\_\_\_ of Europe's unemployed were jobless longer than one year.

- A) one out of ten
- B) all
- C) none
- D) half

Answer: D Page: 12

32. During the last decade, almost \_\_\_\_\_ of United States' unemployed were jobless longer than one year.

- A) 11%
- B) 30%
- C) 45%
- D) 55%

Answer: A Page: 12

33. Structural unemployment in Europe is most likely due to:

- A) Trade protectionism
- B) rigidities and inflexibility in the labor markets
- C) excessive fluctuations in exchange rates
- D) the national minimum wage

Answer: B Page: 12

34. \_\_\_\_\_ has/have led to sluggish growth in Europe.

- A) Free trade
- B) Overregulation
- C) Job insecurity
- D) Excessive fluctuations in exchange rates

Answer: B Page: 12

35. Slow growth in what two regions has led to calls for trade protectionism and dampened the growth of the entire world economy?

- A) US and South America
- B) Japan and Europe
- C) US and Europe
- D) Japan and South America

Answer: B Page: 12

36. Rapid technological changes and increase competition from the manufactured exports of emerging market economies are causing \_\_\_\_\_ in the United States.
- A) downsizing and job insecurity
  - B) industrial growth and job security
  - C) increased wages in competing industries
  - D) exchange rate fluctuations

Answer: A Page: 13

37. The increasing integration of economies around the world, particularly through trade and financial flows, is:
- A) outsourcing
  - B) macroeconomics
  - C) globalization
  - D) autarky

Answer: C Page: 13

38. The loose organization that blames globalization for many human and environmental problems throughout the world is:
- A) the World Trade Organization
  - B) The World Bank
  - C) the protectionist movement
  - D) the anti-globalization movement

Answer: D Page: 13

39. Globalization \_\_\_\_\_:
- A) Is inevitable in a world with converging tastes for consumer goods.
  - B) increases efficiency
  - C) is often blamed for increasing inequalities in income distribution in the world.
  - D) All of the above

Answer: D Page: 13

## **True or False**

40. True or False? National and regional problems can quickly become global problems in an interdependent world.

Answer: True      Page: 12

41. True or False? Japan's economy in the 1990's can be characterized as one of rapid, steady growth and low unemployment.

Answer: False      Page: 12

42. True or False? Reform policies are being developed in struggling economies to prevent further economic collapses.

Answer: True      Page: 11

43. True or False? International economic relationships are similar enough to interregional economic relations that the same tools of economic analysis can be used for both.

Answer: False      Page: 9

44. True or False? Free trade restricts a nation's ability to specialize in specific commodities that may allow for more efficient use of resources.

Answer: False      Page: 10

45. True or False? Exchange rates can remain in disequilibria for long periods of time.

Answer: True      Page: 10

46. True or False? Roughly one-sixth of the world's population lives on less than \$1 a day

Answer: True      Page: 13

47. True or False? Globalization is the study of the aggregate economy.

Answer: False      Page: 10, 13

48. True or False? The anti-globalization movement believes globalization benefits corporations and multinationals at the expense of human and environmental well-being.

Answer: True      Page: 13

49. True or False? Globalization is inevitable because consumers around the world are demanding different types of commodities.

Answer: False      Page: 13

### **Essay**

50. Trade protectionism in industrial countries is one of the primary problems/issues faced by international economists and policymakers in today's economically interdependent world. Explain.

Page: 10-13

Editorial Reviews. Review. 'An Introduction to International Economics is one of the rare economics textbooks that students actually enjoy reading. Kenneth Reinert covers an enormous range of material on international economics succinctly and in a language that students can understand. It is the perfect book for a one-semester course on international trade and finance, which also offers chapters on multinational enterprises and economic development for professors who wish to emphasize those topics.' Robert A. Blecker, American University, Washington DC. 'This is a lively book, written with great clarity. International economics is concerned with the effects upon economic activity from international differences in productive resources and consumer preferences and the international institutions that affect them. It seeks to explain the patterns and consequences of transactions and interactions between the inhabitants of different countries, including trade, investment and transaction. Introduction to International Economics. Instructor: Fiona T. Rahman. Office: PAS1049 Phone: 519-888-4567 Ext. 37073 E-mail: frahman@uwaterloo.ca (I do not respond to UW-ACE emails) Lecture hours: Monday, Wednesday and Friday. The course provides a broad overview of International Economics with emphasis on International Trade Theory and Policy. Economic models will be used to understand the gains from trade, patterns of trade, instruments of trade policy, the effects of trade policy interventions and exchange rate determination. Some discussion on trade policy in developing countries will take place during the later part of the course. Prerequisites: Econ 101, 102. @inproceedings{Reinert2011AnIT, title={An Introduction to International Economics: New Perspectives on the World Economy}, author={Kenneth A. Reinert}, year={2011} }. Kenneth A. Reinert. Published 2011. Economics. Preface 1. Windows on the world economy Part I. International Trade: 2. Absolute advantage 3. Comparative advantage 4. Intra-industry trade 5. The political economy of trade 6. Trade policy analysis 7. The World Trade Organization 8. Preferential trade agreements Part II. International Production: 9. Foreign market entry and international production 10. Foreign direct investment and intra-firm trade 11. Managing international production 12. Migration and international production Part III Expand. iie.gmu.edu. Save to Library. Create Alert. Cite. Preface. I have written An Introduction to International Economics: New Perspectives on the World Economy for one- and two-semester courses in international economics, primarily targeting non-economics majors and programs in business, international relations, public policy, and development studies. The book assumes a minimal background in microeconomics, namely, familiarity with the supply and demand diagram and the production possibilities frontier diagram, along with basic algebra.