

1. A main advantage of specialization results from:
  - a. Economies of large-scale production
  - b. The specializing country behaving as a monopoly
  - c. Smaller production runs resulting in lower unit costs
  - d. High wages paid to foreign workers
  
2. A primary reason why nations conduct international trade is because:
  - a. Some nations prefer to produce one thing while others produce other things
  - b. Resources are not equally distributed among all trading nations
  - c. Trade enhances opportunities to accumulate profits
  - d. Interest rates are not identical in all trading nations
  
3. International trade in goods and services is sometimes used as a substitute for all of the following except:
  - a. International movements of capital
  - b. International movements of labor
  - c. Domestic production of the same goods and services
  - d. Domestic production of different goods and services
  
4. If a nation has an open economy, it means that the nation:
  - a. Allows private ownership of capital
  - b. Has flexible exchange rates
  - c. Has fixed exchange rates
  - d. Conducts trade with other countries
  
5. International trade forces domestic firms to become more competitive in terms of:
  - a. The introduction of new products
  - b. Product design and quality
  - c. Product price
  - d. All of the above
  
6. The movement to free international trade is most likely to generate short-term unemployment in which industries?
  - a. Industries in which there are neither imports nor exports
  - b. Import-competing industries

- c. Industries that sell to domestic and foreign buyers
- d. Industries that sell to only foreign buyers

7. International trade is based on the idea that:

- a. Exports should exceed imports
- b. Imports should exceed exports
- c. Resources are more mobile internationally than are goods
- d. Resources are less mobile internationally than are goods

8. Most of the world's population now lives in countries that are:

- a. integrated into world markets
- b. becoming integrated into world markets
- c. near poverty
- d. a and b

9. International trade benefits:

- a. all workers
- b. most workers
- c. many workers
- d. None of these is correct

10. The largest amount of trade with the United States in recent years has been conducted by:

- a. Canada
- b. Germany
- c. Chile
- d. United Kingdom

11. Increased foreign competition tends to:

- a. Intensify inflationary pressures at home
- b. Induce falling output per worker-hour for domestic workers
- c. Place constraints on the wages of domestic workers
- d. Increase profits of domestic import-competing industries

12. \_\_\_\_ is the ability of a firm/industry, under free and fair market conditions, to design, produce, and market goods and services that are better and/or cheaper than those of other firms/industries.

- a. Competitiveness
- b. Protectionism
- c. Comparative advantage
- d. Absolute advantage

13. A firm's \_\_\_\_, relative to that of other firms, is generally regarded as the most important determinant of competitiveness.

- a. Income level
- b. Tastes and preferences
- c. Governmental regulation
- d. Productivity

14. Free traders maintain that an open economy is advantageous in that it provides all of the following except:

- a. Increased competition for world producers
- b. A wider selection of products for consumers
- c. The utilization of the most efficient production methods
- d. Relatively high wage levels for all domestic workers

15. Regarding the applicability of free trade to cigarettes, it is correct to say:

- a. the rules of free trade apply to cigarettes
- b. the rules of free trade should not apply to cigarettes
- c. a and b are the topic of current debate
- d. there are special rules applying to cigarettes world-wide

16. Human rights activists contend that this organization supports governments that permit sweatshops:

- a. The International Organization for Standardization
- b. The International Monetary Fund
- c. The World Health Organization
- d. All of these

17. For a nation to maximize its productivity in a global economy:

- a. Only imports are necessary
  - b. Only exports are necessary
  - c. Both imports and exports are necessary
  - d. Neither imports nor exports are necessary
18. Economists have generally found that economic growth rates have a close relation to:
- a. openness to trade
  - b. education
  - c. communications infrastructure
  - d. all of these
19. With globalization and import competition, U.S. prices have generally:
- a. increased
  - b. decreased
  - c. remained stable
  - d. all of these at various times
20. Open economies have more:
- a. competition
  - b. firm turnover
  - c. new firms entering the market
  - d. all of these
21. The United States was less open to international trade between:
- a. 1890 and 1910
  - b. 1930 and 1950
  - c. 1890 and 1950
  - d. 1950 and 2013
22. Producing goods for export produces:
- a. jobs
  - b. income
  - c. tariffs
  - d. a and b

23. A sudden shift from import tariffs to free trade may induce short-term unemployment in:
- Import-competing industries
  - Industries that are only exporters
  - Industries that sell domestically as well as export
  - Industries that neither import nor export
24. As an economy opens up to international trade, domestic prices:
- become lower
  - become more aligned with international prices
  - stabilize
  - none of the above; what will happen cannot be predicted
25. Studies have shown that there is an inverse relationship between
- Local competition and regional competition
  - Regional competition and global competition
  - level of trade barriers and economic growth
  - level of education and communications infrastructure
26. Economic interdependence occurs through
- trade
  - labor migration
  - capital flows
  - all of these
27. Small countries tend to have higher measures of openness than larger countries because:
- their productivity is higher
  - they are more reliant on international trade
  - they are less reliant on international trade
  - they are more diverse
28. Following World War II, The U.S.:
- became less open
  - negotiated reductions in trade barriers with other countries
  - passed a number of protective tariffs
  - concentrated on armament production

29. A closed economy is one in which:
- Imports exactly equal exports, so that trade is balanced
  - Domestic firms invest in industries overseas
  - The home economy is isolated from foreign trade
  - Saving exactly equals investment at full employment
30. During the last century, the relative importance of international trade for the U.S. has:
- significantly increased
  - slightly increased
  - significantly decreased
  - slightly decreased
31. Which of the following is a fallacy of international trade?
- Trade is a zero-sum activity
  - Exports increase employment in exporting industries
  - Import restrictions increase employment in import-competing industries
  - Tariffs and quotas reduce trade volume
32. Foreign ownership of U.S. financial assets
- Has decreased since the 1960's
  - Has increased since the 1960's
  - Has made the U.S. a net borrower since the late 1980's
  - Both a and c
33. The first wave of globalization was brought to an end by
- The Great Depression
  - The Second World War
  - The First World War
  - The Smoot-Hawley Act
34. Important trading partners of the United States include Canada, Mexico, Japan, and China.
- True
  - False

35. Multilateral trade negotiations have led to

- a. Continued trade liberalization
- b. Financial liberalization
- c. Increased investment
- d. All of the above

36. The United States exports a larger percentage of its gross domestic product than Japan, Germany, and Canada.

- a. True
- b. False

37. Opening the economy to international trade tends to lessen inflationary pressures at home.

- a. True
- b. False

38. The benefits of international trade accrue in the forms of lower domestic prices, development of more efficient methods and new products, and a greater range of consumption choices.

- a. True
- b. False

39. In an open trading system, a country will import those commodities that it produces at relatively low cost while exporting commodities that can be produced at relatively high cost.

- a. True
- b. False

40. Although free trade provides benefits for consumers, it is often argued that import protection should be provided to domestic producers of strategic goods and materials vital to the nation's security.

- a. True
- b. False

41. In the long run, competitiveness depends on an industry's natural resources, its stock of machinery and equipment, and the skill of its workers in creating goods that people want to buy.

- a. True
- b. False

42. If a nation has an open economy, it means that the nation allows private ownership of capital.

- a. True
- b. False

43. Increased foreign competition tends to increase profits of domestic import-competing companies.

- a. True
- b. False

44. Current trade rules permit countries to enact measures to protect the health and safety of their citizens as long as all goods are treated equally, the tobacco companies argue.

- a. True
- b. False

45. What is the most important factor which contributes to competitiveness?

46. What are the challenges of the international trading system?

47. Does exposure to competition with the world leader in a particular industry improve a firm's productivity?

48. What are the essential arguments in favor of free trade?

49. Around the world, countries differ regarding their



- a. living standards
  - b. geographic size
  - c. per-capita income levels
  - d. all of the above
50. In terms of the value of trade, the most important trading partner of the United States is
- a. Germany
  - b. Mexico
  - c. Japan
  - d. Canada
51. Countries have balance of trade surpluses when
- a. they export more than they import
  - b. they import more than they export
  - c. their imports and exports are equal
  - d. their imports and exports are zero
52. "When the United States sneezes, other nations catch a cold." This statement most closely refers to
- a. economic interdependence
  - b. the basis for trade
  - c. theory of comparative advantage
  - d. theory of absolute advantage
53. The United States has realized waves of globalization that result from all of the following except
- a. falling transportation costs
  - b. falling communication costs
  - c. technological advances in diesel engines and gas turbines
  - d. increased barriers to trade such as tariffs
54. The decline of Kodak Inc. in the camera and film business is not explained by
- a. the rise of Japanese rivals such as Fuji Photo Film Co.
  - b. the development of digital cameras and smart phones which operate as cameras
  - c. antimonopoly laws that broke Kodak up into small, competing companies

- d. the market share of Kodak declining by the 1990s
55. As a percentage of GDP, U.S. exports plus imports currently equal about
- a. 5 percent
  - b. 10 percent
  - c. 18 percent
  - d. 32 percent
56. Today, most Schwinn bicycles are manufactured in
- a. China
  - b. Canada
  - c. Mexico
  - d. Germany
57. The openness ratio is measured by a country's
- a. exports as a percent of GDP
  - b. imports as a percent of GDP
  - c. exports minus imports as a percent of GDP
  - d. exports plus imports as a percent of GDP
58. Comparing the 1800s to the 2000s, the "openness ratio" of the United States has
- a. decreased
  - b. increased
  - c. remained constant
  - d. cease to exist
59. Concerning the value of trade (exports and imports), the top three countries which the United States trades includes
- a. Mexico, Canada, and Germany
  - b. Canada, United Kingdom, and Japan
  - c. Mexico, Brazil, and South Korea
  - d. Canada, China, and Mexico
60. The term "economic interdependence" would imply that "when the United States sneezes, other countries catch a cold."

- a. True
- b. False

61. Higher costs of transportation and communication, and higher trade barriers, have contributed to increased globalization in recent decades.

- a. True
- b. False

62. Compared to the 1800s, the "openness ratio" of the U.S. economy had declined by the 2000s.

- a. True
- b. False

63. As measured by the value of trade, Canada, Mexico, and China are the three top trading partners of the United States.

- a. True
- b. False

64. The "openness ratio" of the U.S. economy is currently about 15 percent.

- a. True
- b. False

65. The development of diesel engines and gas turbines helped reduce transportation costs and thus increase international trade among nations.

- a. True
- b. False

66. In the late 1990s, Schwinn Inc. closed all of its bicycle manufacturing plants in China and moved them to the United States.

- a. True
- b. False

67. The advent of foreign competition forced Kodak Inc. to go into bankruptcy and to cease operating as a producer of cameras and film.

- a. True

b. False

68. In the United States, tariffs and quotas are commonly used as tools designed to restrict trade among the fifty states.

- a. True
- b. False

69. Critics maintain that U.S. trade policies have mainly benefitted large corporations rather than the average American citizen.

- a. True
- b. False

70. For the United States, jobs in exporting industries typically pay about 15 percent less than jobs in import-competing industries.

- a. True
- b. False

71. Workers sometimes face demands for wage reductions from their employers, which threaten to export jobs abroad if wage reductions are not accepted.

- a. True
- b. False

Answers:

- 1. a.
- 2. b.
- 3. d.
- 4. d.
- 5. d.
- 6. b.
- 7. d.

8. d.

9. c.

10. a.

11. c.

12. a.

13. d.

14. d.

15. c.

16. b.

17. c.

18. d.

19. b.

20. d.

21. c.

22. d.

23. a.

24. b.

25. c.

26. d.

27. b.

28. b.

29. c.

30. a.

31. a.

32. d.

33. c.

34. a.

35. d.

36. b.

37. a.

38. a.

39. b.

40. a.

41. a.

42. b.

43. b.

44. a.

45.

46.

47.

48.

49. d.

50. d.

51. a.

52. a.

53. d.

54. c.

55. d.

56. a.

57. d.

58. b.

59. d.

60. a.

61. b.

62. b.

63. a.

64. b.

65. a.

66. b.

67. b.

68. b.

69. a.

70. b.

71. a.