

Test Bank for International Economics
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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