International Economics 8th edition Gerber Test Bank

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International Economics, 8e **(Gerber)**
Chapter 1 An Introduction to the World Economy

1.1 Introduction: International Economic Integration

1) There are no questions for this section.
Topic: Introduction: International Economic Integration

1.2 Elements of International Economic Integration

1) Countries such as the United States that have large populations tend to have
A) higher trade-to-GDP ratios.
B) lower trade-to-GDP ratios.
C) relatively greater capital outflows.
D) relatively smaller capital outflows.
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.2 Compute the trade-to-GDP ratio and explain its significance.
AACSB: Application of knowledge

2) The trade-to-GDP ratio for a nation that had $600 million in exports, $400 million in imports, and GDP of $2,000 million would be
A) 0.1.
B) 0.2.
C) 0.5.
D) -0.1.
Answer: C
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.2 Compute the trade-to-GDP ratio and explain its significance.
AACSB: Application of knowledge

3) The trade-to-GDP ratio is calculated by
A) exports divided by GDP.
B) imports divided by GDP.
C) exports plus imports divided by GDP.
D) exports minus imports divided by GDP.
Answer: C
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.2 Compute the trade-to-GDP ratio and explain its significance.
AACSB: Application of knowledge

4) A relative measure of the importance of trade is
A) the dollar value of trade.
B) trade as a percentage of GDP.
C) the dollar value of trade adjusted for inflation.
D) trade as a percentage of investment.
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.2 Compute the trade-to-GDP ratio and explain its significance.
AACSB: Application of knowledge

5) An important factor that increased international capital flows in the latter part of the 1800s was
A) the creation of the International Monetary Fund.
B) the creation of numerous regional trade agreements.
C) the rapid rate of East Asian economic growth.
D) technological innovations.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

6) Labor mobility was
A) less in 1900 than in 2010.
B) unimportant to global integration until the 1960s.
C) greater in 1900 than in 2010.
D) never controversial.
Answer: C
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

7) A major impact of the transatlantic cables was
A) a reduction in time required to complete a financial transaction between New York and London
B) an increase in labor flows across the Atlantic.
C) a decrease in trade barriers between the United States and Europe.
D) an increase in trade conflicts between the United States and Europe.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

8) The trade-to-GDP ratio for the United States reached its lowest point of the last 100 years
A) around 1970.
B) around World War II.
C) around World War I.
D) around 2008.
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

9) Countries that have high rates of savings also tend to have
A) high rates of investment.
B) low rates of investment.
C) stock market bubbles.
D) low rates of growth.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

10) Since the end of World War II,
A) world trade has grown more slowly than world GDP in the same time period.
B) world trade has grown more slowly than during the years leading up to World War II.
C) the trade-to-GDP ratios of most countries have fallen.
D) world trade has grown more rapidly than world output.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

11) One of the reasons we know that international labor mobility has been higher at other times is because
A) the percent of our population that was foreign born was higher.
B) wages were lower.
C) labor was important in agriculture.
D) the population was younger.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

12) One important difference between the international economy of today and the economy of 100 years ago is
A) that labor is much more mobile.
B) for the first time, technological innovations have reduced the barrier of distance.
C) for the first time, capital is mobile.
D) the presence of international bodies such as the IMF and World Bank.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

13) One of the distinguishing characteristics of capital flow today is that
A) there are far more kinds of financial instruments than there were 100 years ago.
B) nations are no longer dependent on their own national savings for their investment funds.
C) the bulk of foreign capital flows are tied to labor flows.
D) currency markets play a less significant role than they did in the past.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

14) Which of the following is FALSE?
A) Capital flows today are larger mainly because economies are larger.
B) The last two decades are the first time in history that a nation has borrowed more than 10 percent of its GDP.
C) There are important qualitative differences between capital flows today and in the past.
D) Today most international financial transactions involve buying and selling assets denominated in foreign currencies.
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

15) Your text mentions several ways that international trade flows are qualitatively different than they were a century ago. Which of the following is NOT one of those ways?
A) Firms' investment spending on capital goods is more important than in the past.
B) International trade in raw commodities and agricultural products is more important than it was in the past.
C) It is possible to trade some types of services in a way that was not possible in the past.
D) Multinational corporations play a bigger role in production than they did in the past.
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

16) Financial capital flows could include
A) real estate purchases.
B) construction of factories.
C) the purchase of the physical assets and operations of a multinational corporation by another.
D) currency market transactions.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

17) An example of a foreign direct investment (FDI) would include
A) a U.S. couple buying land for their dream retirement home in Costa Rica.
B) a U.S. mutual fund manager buying shares of stock in a Brazilian oil company.
C) a U.S. firm expanding its U.S. operations.
D) a wealthy Mexican buying U.S. Treasury bills.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

18) All of the following are differences in capital flows today from the past, EXCEPT
A) the increasing variety of financial instruments.
B) the larger number of companies listed on world stock exchanges.
C) the need to protect from sudden changes in currency values.
D) the problem of volatility in financial capital flows.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

19) Which of the following is true?
A) Domestic policies are never barriers to trade.
B) Tariffs and quotas in industrial nations are significantly higher now than they were in 1950.
C) Tariffs and quotas are never used as trade barrier in industrialized countries.
D) Domestic policies intended to protect consumers or the environment may become trade barriers.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

20) Economists
A) describe reducing tariffs and quotas as shallow integration.
B) describe reducing tariffs and quotas as deep integration.
C) believe that changing domestic policies affecting trade is a relatively simple process.
D) believe that the work of reducing trade barriers is done since most tariffs are low and most quotas eliminated.
Answer: A
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

21) Deep integration
A) is easier to achieve than shallow integration.
B) is less controversial than shallow integration.
C) does not require changing domestic policies unrelated to tariffs and quotas.
D) requires cooperation with other national governments or international bodies.
Answer: D
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

22) Made in the USA or Made in China has less meaning for products that
A) are a commodity such as iron ore.
B) are an agricultural product such as wheat.
C) are technological and involve assembling many different types of sometimes sophisticated components.
D) are produced and consumed domestically.
Answer: C
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

23) Which of the following kinds of agreements between two or more countries would be an example of a shallow integration measure?
A) An agreement to accept another nation's certification of architects
B) An agreement to unify customs forms in order to speed up cross-border traffic
C) An agreement to use the same environmental standards
D) An agreement to impose the same limits on cartels and monopolies
Answer: B
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

24) Which of the following kinds of agreements between two or more countries would be an example of a deep integration measure?
A) An agreement to reduce tariffs and quotas
B) An agreement to unify customs forms in order to speed up cross-border traffic
C) An agreement to use the same environmental standards in production
D) An agreement to reduce exports
Answer: C
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

25) While the world was fairly integrated at the turn of the last century, most trade was in agricultural and raw materials, whereas today manufactured consumer and producer goods play a much greater role in determining exports and imports.
Answer: TRUE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

26) Capital and labor only very recently have been free to move across international borders.
Answer: FALSE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

27) Capital flows between countries are smaller than in past decades in absolute terms.
Answer: FALSE
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

28) Open economies grow more slowly than closed economies.
Answer: FALSE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

29) Daily foreign exchange transactions have grown from about $15 billion in 1973 to over $5 trillion today.
Answer: TRUE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

30) Most economists support open trade because it increase our choices as consumers, lowers costs for producers, increases competition and innovation, and leads to greater diffusion of technological change.
Answer: TRUE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

31) Domestic agricultural subsidies intended to support the nation's farmers would not be considered a trade barrier so would not be disputed internationally.
Answer: FALSE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

32) More than 80% of the goods and services we buy are produced in domestic markets.
Answer: TRUE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

33) The four criteria for economic integration include trade flows, capital flows, people flows, and the similarity of prices in separate markets.
Answer: TRUE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

34) Transactions costs in international financial markets are higher today than they were in the past.
Answer: FALSE
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

35) Why are high domestic savings rates important?
Answer: High savings rates are correlated with high domestic investment.
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

36) What are the positive impacts of migration on migrants and the firms that hire them?
Answer: Higher incomes for migrants and lower labor costs for firms
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

37) What are the negative impacts of migration for the nation receiving migrants?
Answer: More competition for other workers and greater social tensions
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

38) Which type of integration requires adapting domestic policies to coordinate with those of trading partners?
Answer: Deep integration
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

39) What do economists call movements of labor and capital between nations?
Answer: Factor flows
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

40) Compare and contrast globalization as it existed in the late nineteenth century with globalization today.
Answer: I would expect my students to address the following:
• That in percentage terms, a significant portion of world economic activity was engaged in trade in both periods.
• That in the prior period, trade was mostly in agricultural products and commodities, whereas today capital goods play an increasingly important role.
• That labor may have been more mobile in the past than it is today due to changes in immigration policies.
• That capital was mobile in both periods, but might be more so today, especially given new instruments.
• That changes in transportation and communication were significant in both periods in terms of reducing transaction costs and encouraging product and factor mobility.
Topic: Elements of International Economic Integration
Difficulty: Difficult
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Analytical thinking

41) What are some of the main advantages and disadvantages of the extensive financial and commercial networks linking nations today?
Answer: Some of the advantages are that buyers receive lower prices, more choices, and greater access to innovative technology. The major disadvantage is that a crisis is more likely to spread from one part of the world to another.
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

42) How has the composition of trade flows changed from the early 20th century to today? Compared to the past, is anything about trade today new?
Answer: Prior to World War I, most trade consisted of agricultural commodities and raw materials, while today trade is primarily manufactured consumer goods and capital goods. Given recent advances in telecommunications, services now can be outsourced and service industries face growing international competition.
Topic: Elements of International Economic Integration
Difficulty: Moderate
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

43) Describe at least three ways that global capital markets are different today from what they were like in the late 19th century.
Answer: There are more varieties of financial instruments available. A major difference is that exchange rates were fixed then which meant less exchange rate risk and uncertainty then and now higher costs and transactions volume given the need to manage that risk. Transaction costs are significantly lower today than in the past.
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

44) How is the international economy qualitatively different in the first part of the 21st century from what it was like in the first part of the 20th century?
Answer: Since tariffs and quotas have been reduced (and would have been the common barriers in the past), now nations are addressing issues related to deeper levels of integration, which involve domestic policies such as labor or environmental standards or investment policies. Today there are multilateral international governmental organizations that address global economic issues where none existed then. There has been a significant increase in the number of regional trade agreements.
Topic: Elements of International Economic Integration
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Analytical thinking

1.3 Twelve Themes in International Economics

1) Which region of the world experienced a decade-long crisis and stagnant or even negative growth rates during the 1980s?
A) Latin America
B) East Asia
C) The United States and Canada
D) The European Union
Answer: A
Topic: Twelve Themes in International Economics
Difficulty: Easy
Objective: LO 1.1 Discuss historical measures of international economic integration with data on trade, capital flows, and migration.
AACSB: Application of knowledge

2) Most of the HIPC nations are in
A) Africa.
B) Asia.
C) Europe.
D) South America.
Answer: A
Topic: Twelve Themes in International Economics
Difficulty: Easy
Objective: LO 1.3 Describe three factors in the world economy today that are different from the economy at the end of the first wave of globalization.
AACSB: Application of knowledge

3) The East Asian "miracle" refers to
A) high birth rates in the late 1980s and into the 1990s of most East Asian nations.
B) high economic growth rates in the late 1980s and into the 1990s of many East Asian nations.
C) the current shift of East Asian economies from exporting nations to importing nations.
D) economic growth rates exceeding 35% per year occurring in the 2000s for many East Asian nations.
Answer: B
Topic: Twelve Themes in International Economics
Difficulty: Moderate
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

4) Which nations does the acronym BRIC stand for?
Answer: Brazil, Russia, India and China
Topic: Twelve Themes in International Economics
Difficulty: Easy
Objective: LO 1.4 List the three types of evidence to support the idea that trade supports economic growth.
AACSB: Application of knowledge

1.4 What Do International Economists Do?

1) International economics is most often
A) a specialty within the field of general economics.
B) a stand-alone major.
C) focused solely on demographic studies.
D) used in the political arena.
Answer: A
Topic: What Do International Economists Do?
Difficulty: Moderate
Objective: LO 1.5 Describe the employment possibilities and occupations open to students of international economics.
AACSB: Application of knowledge

2) Which of these statements about international economics is FALSE?
A) International economics requires mostly soft skills and has almost no analytical component.
B) Specialists in international economics have a wide range of employment options.
C) Many international economists work as analysts.
D) International economics is a good background for journalists reporting on international affairs.
Answer: A
Topic: What Do International Economists Do?
Difficulty: Easy
Objective: LO 1.5 Describe the employment possibilities and occupations open to students of international economics.
AACSB: Application of knowledge

3) List some of the possible job opportunities that exist for someone specializing in international economics.
Answer: Market and business analysts, journalists focusing on international business and/or international affairs, international trade specialists, international finance, foreign relations positions, and many others.
Topic: What Do International Economists Do?
Difficulty: Easy
Objective: LO 1.5 Describe the employment possibilities and occupations open to students of international economics.
AACSB: Application of knowledge