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Chapter 1 The International Economy and Globalization

1. Which of the following is a dimension of integration into the world economy?
   a. Fair labor standards.
   b. Flexible exchange rates.
   c. Decreased foreign competition.
   d. Dependence on imported materials.

ANSWER:	d
FEEDBACK:	a. b. c. d. Integration involves several dimensions, including the dependence on imported materials.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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2. Which of the following is a disadvantage of globalization?
   a. Living standards can increase more rapidly.
   b. Global competition and cheap imports keep a constraint on prices.
   c. Easier access to foreign investment and low interest rates.
   d. Companies building state-of-the-art factories in low-wage countries.

ANSWER:	d
FEEDBACK:	a. b. c. d. American employees can lose their competitiveness when companies build state-of-the-art factories in low-wage countries, making them as productive as those in the United States.
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Remember
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3. Which statement about globalization is true?
   a. It has led to more quotas on trade around the world.
   b. It is a purely economic term used to describe interrelated global markets.
   c. It has been fueled by trade, immigration, and foreign investment.
   d. It is the process by which more countries are becoming economically self-sufficient around the globe.

ANSWER:	c
FEEDBACK:	a. b. c. Globalization consists of the increased interaction of product and resource markets across nations via trade, immigration, and foreign investment. d.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Globalization of Economic Activity
KEYWORDS:	BLOOM'S: Understand
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4. Which statement is true about import restrictions?
   a. They decrease the volume of exports.
   b. They lead to more jobs for domestic workers.
   c. They decrease imports and increase exports.
   d. They are more conducive to prosperity than free trade.

ANSWER:	a
FEEDBACK:	a. Trade restrictions that decrease the volume of imports will also decrease exports. b. c. d.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Common Fallacies of International Trade
KEYWORDS:	BLOOM'S: Understand
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5. Most of the world's population now lives in nations that are

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a. integrated or becoming integrated into world markets.
b. trying to overcome economic isolation.
c. cutting back on foreign investment.
d. economically independent.

ANSWER: a

FEEDBACK:
a. In today's world, no nation exists in economic isolation.
b.
c.
d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Introduction
KEYWORDS: BLOOM'S: Understand
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6. International trade generally
a. decreases jobs.
b. generates income.
c. decreases productivity.
d. reduces competition.

ANSWER: b

FEEDBACK:
a.
b. Producing goods for export generates jobs and income for domestic workers.
c.
d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Is International Trade an Opportunity or Threat to Workers?
KEYWORDS: BLOOM'S: Understand
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7. The largest amount of trade with the United States in recent years has been conducted with
a. China.
b. Germany.
c. Canada.

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d. the United Kingdom.

ANSWER: c

FEEDBACK:

a.

b.

c. Canada heads the list of US trading partners

d.

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade

TOPICS: The United States as an Open Economy

KEYWORDS: BLOOM'S: Remember

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8. What led to the sharp loss of market share in the example of the Eastman Kodak Company?

a. increased desire for higher-quality product substitutes

b. consumer concern over Eastman Kodak's near monopoly in the U.S. markets

c. lack of innovation in emerging digital technologies

d. increased profits of domestic import-competing industries

ANSWER: c

FEEDBACK:

a.

b.

c. Kodak provides a striking example of an industrial giant that faltered in the face of global competition and advancing technology. It was slow in launching the production of digital cameras and failed to understand that smartphones replaced cameras.

d.

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade

TOPICS: The United States as an Open Economy

KEYWORDS: BLOOM'S: Understand

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9. Which statement is true about international trade?

a. It is zero-sum game.

b. Imports always result in domestic unemployment.

c. Tariffs on imports always protect domestic jobs.

d. Imports and exports are connected; as one falls, the other generally rises.

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ANSWER:	d
FEEDBACK:	a. b. c. d. The drag on an economy caused by rising imports tends to be offset by the stimulus on the economy caused by rising exports.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Common Fallacies of International Trade
KEYWORDS:	BLOOM'S: Understand
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10. North Carolina produces sweet potatoes in its rich soil, but does not have the climate to grow oranges well. It is correct to say that, relative to Florida, North Carolina has which of the following?

a. An absolute advantage in sweet potato production.
b. A monopoly on sweet potato production.
c. A comparative advantage in sweet potato production.
d. A trade imbalance in sweet potato production.

ANSWER:	c
FEEDBACK:	a. b. c. According to the principle of comparative advantage, if countries specialize in what they are relatively best at producing, they will import products that their trading partners are most efficient at producing, yielding benefits for both countries. d.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Common Fallacies of International Trade
KEYWORDS:	BLOOM'S: Apply
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11. According to human rights activists, which organization supports governments that permit sweatshops?

a. The International Organization for Standardization
b. The International Monetary Fund
c. The World Health Organization

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d. The World Trade Organization

ANSWER: b

FEEDBACK:

a.

b. Human rights activists contend that the International Monetary Fund supports governments that allow sweatshops and pursues policies that bail out governmental officials at the expense of local economies.

c.

d.

POINTS: 1

DIFFICULTY: Challenging

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade

TOPICS: Has Globalization Gone Too Far?

KEYWORDS: BLOOM'S: Understand

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12. With globalization and import competition, U.S. prices generally

a. increase.

b. decrease.

c. remain stable.

d. fluctuate wildly.

ANSWER: b

FEEDBACK:

a.

b. Global competition and cheap imports keep a constraint on prices, so inflation is less likely to disrupt economic growth.

c.

d.

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade

TOPICS: Has Globalization Gone Too Far?

KEYWORDS: BLOOM'S: Remember

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13. The United States was less open to international trade between

a. 1870 and 1914.

b. 1944 and 1980.

c. 1890 and 1950.

d. 1980 and the present.

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ANSWER: c

FEEDBACK:
a.
b.
c. Two world wars and the Great Depression of the 1930s caused the United States to reduce its dependence on trade, partly for national security reasons and partly to protect its home industries from import competition.
d.

POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Remember
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14. A sudden shift from import tariffs to free trade may induce short-term unemployment in
    a. import-competing industries.
    b. industries that are only exporters.
    c. industries that sell domestically as well as export.
    d. industries that neither import nor export.

ANSWER: a

FEEDBACK:
a. Cheap exports produced by lower-cost foreign workers threaten to eliminate jobs for some workers in industrial countries.
b.
c.
d.

POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Is International Trade an Opportunity or Threat to Workers?
KEYWORDS:	BLOOM'S: Apply
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15. Economic interdependence occurs through
    a. trade.
    b. protectionism.
    c. war.
    d. tariffs.

ANSWER: a

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FEEDBACK:	a. Economic interdependence occurs through trade. b. c. d.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Introduction
KEYWORDS:	BLOOM'S: Apply
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16. Small countries tend to have higher measures of openness than larger countries because
    a. their productivity is higher.
    b. they are more reliant on international trade.
    c. they are less reliant on international trade.
    d. they are more economically diverse.

ANSWER:	b
FEEDBACK:	a. b. Large countries tend to be less reliant on international trade because many of their companies can attain an optimal production size without having to export to foreign nations. Therefore, small countries tend to have higher measures of openness than do large ones. c. d.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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17. Following World War II, the U.S.
    a. became less open.
    b. helped construct a global economic order.
    c. negotiated increases in trade barriers.
    d. went through a period of economic isolationism.

ANSWER:	b

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FEEDBACK: a.
b. During the late 1940s, the United States helped construct a global economic order that was governed by mutually accepted rules and overseen by multilateral institutions.
c.
d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Waves of Globalization
KEYWORDS: BLOOM'S: Remember
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18. Which of the following is a fallacy of international trade?
a. Trade is a zero-sum activity.
b. Exports increase employment in exporting industries.
c. Import restrictions increase employment in import-competing industries.
d. Tariffs and quotas reduce trade.

ANSWER: a
FEEDBACK: a. One misconception is that trade results in a zero-sum game: If one trading partner benefits, the other must suffer. It turns out that both partners can benefit from trade.
b.
c.
d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Common Fallacies of International Trade
KEYWORDS: BLOOM'S: Understand
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19. The first wave of globalization was brought to an end by
a. the Great Depression.
b. the Second World War.
c. the First World War.
d. the Smoot-Hawley Act.

ANSWER: c

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FEEDBACK:	a. b. c. The first wave of globalization was brought to an end by World War I. d.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Waves of Globalization
KEYWORDS:	BLOOM'S: Remember
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20. Multilateral trade negotiations have led to

a. continued liberalization of trade and investment.

b. increased protectionism.

c. higher tariffs.

d. more expensive financing.

ANSWER:	a
FEEDBACK:	a. Continuing liberalization of trade and investment has resulted from multilateral trade negotiations. b. c. d.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Globalization of Economic Activity
KEYWORDS:	BLOOM'S: Remember
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21. The phrase “When the United States sneezes, the economies of other nations catch a cold” was first used to describe the impact of the economy of the United States on the rest of the world at the end of World War II. This phrase is now

a. still true, as evidenced by the effects of economic interdependence on China during the Covid-19 pandemic.

b. not true, due to the impact of growing economic interdependence.

c. only true when followed by impacts in the European Union.

d. all of these are only true in the case of an economic recession.

ANSWER:	a
FEEDBACK:	a. It is still true as evidenced by economic interdependence during Covid-19

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b.

c.

d.

POINTS: 1

DIFFICULTY: Challenging

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC2: - The study of economics, and definitions in economics

TOPICS: Introduction

KEYWORDS: BLOOM'S: Evaluate

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22. Why has the economy of the United States realized waves of globalization?
    a. The United States consistently increases tariffs.
    b. The United States economy has been consistently opening up since the 1920s.
    c. Technology, supported by American investors, drives productivity.
    d. The trade policy of the United States has been uneven, resulting in periods of more or less openness to international trade.

ANSWER: d

FEEDBACK:

a.

b.

c.

d. In recent history, there have been three major waves of globalization—first from 1870 to 1914, then from 1944 to 1980, and finally from 1980 to the present. During these waves, the trade policy of the United States has been uneven.

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC3: - International trade and finance

TOPICS: Waves of Globalization

KEYWORDS: BLOOM'S: Evaluate

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23. 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 smartphones that operate as cameras.
    c. antimonopoly laws that broke Kodak up into small, competing companies.
    d. constant innovation and attention to changing trends in recreational photography.

ANSWER: c

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FEEDBACK: a.
b.
c. Kodak faltered in the face of global competition and advancing technology, not antimonopoly laws.
d.

POINTS: 1
DIFFICULTY: Difficult
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: The United States as an Open Economy
KEYWORDS: BLOOM'S: Apply
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24. Today, most Schwinn bicycles are manufactured in
a. China.
b. Canada.
c. Mexico.
d. Germany.

ANSWER: a
FEEDBACK: a. Most Schwinn bicycles today are built in Chinese factories.
b.
c.
d.

POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC4: - Productivity and growth
TOPICS: The United States as an Open Economy
KEYWORDS: BLOOM'S: Remember
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25. The natural gas turbine is considered a driver of globalization because the turbine
a. increases efficiency, moving goods from place to place.
b. was developed in the United States.
c. is associated with increased transportation costs.
d. increases the labor input and decreases unemployment.

ANSWER: a
FEEDBACK: a. Diesels and turbines have become important movers of goods and people throughout the world. They have reduced transportation costs to such an extent

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that distance to the market is a much smaller factor affecting the location of manufacturers or the selection of the origin of imported raw materials

b.

c.

d.

POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC4: - Productivity and growth
TOPICS:	Introduction
KEYWORDS:	BLOOM'S: Remember
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26. Economists who suggest that the United States is losing its competitive edge cite that

a. more American firms are choosing to manufacture overseas.

b. the quality of education in Western countries is declining.

c. the United States is ambivalent about technology.

d. the Asian continent contains more raw materials than the United States.

ANSWER: a

FEEDBACK:

a. American employees can lose their competitiveness when companies build state-of-the-art factories in low-wage countries, making them as productive as those in the United States.

b.

c.

d.

POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC4: - Productivity and growth
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Remember
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27. Exporting firms in the United States typically

a. have less overall productivity.

b. offer higher wages to workers.

c. rely on an unskilled labor force.

d. do not rely on capital.

ANSWER: b

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FEEDBACK:

a.

b. For Americans working for exporting firms, average wages are about 18 percent higher than average wages in nonexporting firms.

c.

d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Is International Trade an Opportunity or a Threat to Workers?
KEYWORDS: BLOOM'S: Understand
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28. The slogans "Buy American" and "American goods create American jobs" reflect
    a. concern over the number of exports leaving the country.
    b. concern about the threat of foreign competition.
    c. a desire for fewer import restrictions.
    d. a lack of job security within exporting firms.

ANSWER: b

FEEDBACK:

a.

b. Trade with low-wage developing countries is particularly threatening to unskilled workers in the import-competing sectors of industrial countries.

c.

d.

POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS: Is International Trade an Opportunity or a Threat to Workers?
KEYWORDS: BLOOM'S: Understand
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29. As an economy opens up to international trade, domestic prices
    a. decrease.
    b. increase.
    c. become stable over time.
    d. align more with international prices.

ANSWER: d

FEEDBACK:

a.

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b.

c.

d. Global competition and cheap imports keep a constraint on prices, so inflation is less likely to disrupt economic growth.

POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
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30. Which of the following statements is most accurate in describing the post-pandemic world?
   a. More economic activity will be deemed essential for national security, and supply chains will become increasingly domestic.
   b. More economic activity will be deemed essential for national security, and supply chains will become increasingly international.
   c. Economic activity will become less self-sufficient, and supply chains will become increasingly global.
   d. The equilibrium between efficiency and national security will shift toward efficiency.

ANSWER:	a
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
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31. Which of the following is not a threat to eroding globalization as of 2024?
   a. An increase in friendshoring
   b. Economic sanctions and restrictions
   c. The rise of domestic supply chains
   d. Waning effectiveness of the World Bank and the IMF

ANSWER:	a
POINTS:	1
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
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32. The openness ratio is measured by a country's
   a. exports as a percent of gross domestic product.
   b. imports as a percent of gross domestic product.
   c. exports minus imports as a percent of gross domestic product.
   d. exports plus imports as a percent of gross domestic products.

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ANSWER: d

FEEDBACK:

a.

b.

c.

d. As a rough measure of the importance of international trade in a nation's economy, we can look at that nation's exports and imports as a percentage of its gross domestic product.

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC3: - International trade and finance

TOPICS: The United States as an Open Economy

KEYWORDS: BLOOM'S: Remember

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33. How has technology impacted the globalization of economic activity?

a. Technological innovation has led to decreased mechanization of economic activities.

b. Increased information flows have influenced production location decisions.

c. The rise of the internet has increased communication costs in the service industry.

d. Technology has led to a greater separation between people and enterprises.

ANSWER: b

FEEDBACK:

a.

b. On the technology side, increased information flows and the greater tradability of goods and services have influenced production location decisions. Businesses are able to locate different components of their production processes in various countries and regions and still maintain a single corporate identity.

c.

d.

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic

STATE STANDARDS: United States - PA - DISC1: - Gains from trade, specialization, and trade

TOPICS: Globalization of Economic Activity

KEYWORDS: BLOOM'S: Understand

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34. Following the Great Recession of 2007-2009, globalization has reversed, as evidenced by:

a. lower international capital flows.

b. increased labor mobility.

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c. more domestic ownership of financial assets.
d. production outpacing consumption.

ANSWER:	a
FEEDBACK:	a. Following the Great Recession, there was backpedaling on globalization as evidenced in part by decreasing capital flows. b. c. d.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Remember
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35. All of the following have been criticisms of globalization and trade policies EXCEPT
a. environmental concerns.
b. disadvantages for corporations.
c. unfair competition from countries that lack labor standards.
d. support of countries with human rights violations such as sweatshops.

ANSWER:	b
FEEDBACK:	a. b. Critics maintain that U.S. trade policies primarily benefit large corporations. c. d.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Understand
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36. Which factor contributed to the bankruptcy of the Schwinn bicycle company?
a. Schwinn was unable to successfully promote their brand or appeal to consumers in the United States.
b. Schwinn was not innovative and did not add new features to their bicycles over time.
c. Tariffs were rising on imported bicycles.
d. Foreign competitors were able to manufacture competitive bicycles at a lower cost.

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ANSWER:	d
FEEDBACK:	a. b. c. d. Foreign companies hired low-wage workers to manufacture competitive bicycles at a fraction of Schwinn's cost.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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37. The most profound influence driving globalization is an increased awareness of global human rights.
    a. True
    b. False

ANSWER:	False
FEEDBACK:	*Correct* *Incorrect* The most profound influence is technological change.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Globalization of Economic Activity
KEYWORDS:	BLOOM'S: Remember
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38. The benefits of international trade accrue in the forms of lower domestic prices.
    a. True
    b. False

ANSWER:	True
FEEDBACK:	*Correct* Global competition and cheap imports keep a constraint on prices, so inflation is less likely to disrupt economic growth. *Incorrect*
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False

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NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Understand
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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

ANSWER:	False
FEEDBACK:	*Correct*
	Incorrect According to the principle of comparative advantage, if countries specialize in what they are relatively best at producing, they will import products that their trading partners are most efficient at producing, yielding benefits for both countries.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Common Fallacies of International Trade
KEYWORDS:	BLOOM'S: Understand
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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

ANSWER:	True
FEEDBACK:	*Correct* In the post-pandemic world, more economic activity will be deemed essential for national security and thus require self-sufficiency.
	Incorrect
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
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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

ANSWER:	True
FEEDBACK:	*Correct* International competitiveness can be analyzed in terms of a firm, an industry, and a nation. *Incorrect*
POINTS:	1
DIFFICULTY:	Challenging
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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42. The term *economic interdependence* implies that the wealth and success of one country impacts the wealth and success of another country.

a. True

b. False

ANSWER:	True
FEEDBACK:	*Correct* Economic interdependence implies that all aspects of a nation’s economy are linked to the economies of its trading partners. *Incorrect*
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC3: - International trade and finance
TOPICS:	Introduction
KEYWORDS:	BLOOM'S: Remember
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43. As measured by the value of trade, China, Canada, and Mexico are the three top trading partners of the United States.

a. True

b. False

ANSWER:	True
FEEDBACK:	*Correct* Table 1.5, Top Eight U.S. Trading Partners, 2018. *Incorrect*
POINTS:	1
DIFFICULTY:	Easy

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QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: The United States as an Open Economy
KEYWORDS: BLOOM'S: Remember
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44. The "openness ratio" of the U.S. economy in 2022 was approximately 25 percent.
a. True
b. False

ANSWER: False
FEEDBACK: *Correct*
Incorrect In 2022, the United States exported 10 percent of its GDP, while imports were 15 percent of GDP; the openness of the U.S. economy to trade equaled 25 percent.
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: The United States as an Open Economy
KEYWORDS: BLOOM'S: Remember
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45. The development of diesel engines and gas turbines helped reduce transportation costs and thus increase international trade among nations.
a. True
b. False

ANSWER: True
FEEDBACK: *Correct* Diesels and turbines have become important movers of goods and people throughout the world. They have reduced transportation costs and thus increased international trade.
Incorrect
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: Introduction
KEYWORDS: BLOOM'S: Remember
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46. In the late 1990s, Schwinn Inc. closed its bicycle manufacturing plants in China and moved them to the United States.

a. True
b. False

ANSWER:	False
FEEDBACK:	*Correct*
	Incorrect Schwinn was purchased by the Pacific Cycle Company, which farmed the production of Schwinn bicycles out to low-wage workers in China.
POINTS:	1
DIFFICULTY:	Easy
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC4: - Productivity and growth
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Remember
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47. 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

ANSWER:	False
FEEDBACK:	*Correct*
	Incorrect Kodak is an example of an industrial giant that faltered in the face of global competition and advancing technology.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	True / False
HAS VARIABLES:	False
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC5: - Monopolistic competition
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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48. In the United States, tariffs and quotas are commonly used as tools designed to restrict trade among the 50 states.

a. True
b. False

ANSWER:	False
FEEDBACK:	*Correct*
	Incorrect There is free trade throughout America.
POINTS:	1
DIFFICULTY:	Moderate

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QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: Common Fallacies of International Trade
KEYWORDS: BLOOM'S: Understand
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49. Critics maintain that U.S. trade policies have mainly benefitted large corporations rather than the average American citizen.

a. True
b. False

ANSWER: True
FEEDBACK: *Correct* Critics maintain that U.S. trade policies primarily benefit large corporations rather than average citizens, of the United States or any other country.
Incorrect
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC3: - International trade and finance
TOPICS: Has Globalization Gone Too Far?
KEYWORDS: BLOOM'S: Remember
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50. Workers sometimes face demands for wage reductions from employers threatening to export jobs if wage reductions are not accepted.

a. True
b. False

ANSWER: True
FEEDBACK: *Correct* Workers worry that firms are relocating abroad in search of low wages.
Incorrect
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: True / False
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS: United States - PA - DISC6: - Labor markets
TOPICS: Is International Trade an Opportunity or a Threat to Workers?
KEYWORDS: BLOOM'S: Remember
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51. It is impossible for a country's openness ratio to be greater than 100%.

a. True

b. False

ANSWER:	False
POINTS:	1
QUESTION TYPE:	True / False
HAS VARIABLES:	False
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52. How has international trade forced domestic firms to become more competitive?

ANSWER:	International trade has forced domestic firms to become more competitive in terms of the introduction of new products, product design and quality, and product price.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Essay
HAS VARIABLES:	False
STUDENT ENTRY MODE:	Basic
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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53. What are the challenges of the international trading system?

ANSWER:	The international trading system faces dealing with fair labor standards and concerns about the environment, among other challenges.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
STUDENT ENTRY MODE:	Basic
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Understand
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54. How does competition impact product quality?

ANSWER:	International competition provides domestic producers with a strong incentive to improve the quality of their products. Also, international trade usually weakens monopolies. As countries open their markets, their monopoly producers face competition from foreign firms, which generally increases product quality.
POINTS:	1
DIFFICULTY:	Moderate

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QUESTION TYPE:	Essay
HAS VARIABLES:	False
STUDENT ENTRY MODE:	Basic
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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55. What are the essential arguments in favor of free trade?

ANSWER:	Proponents of an open trading system contend that international trade results in higher levels of consumption and investment, lower prices of commodities, and a wider range of product choices for consumers. Trade also enables workers to become more productive, and wages of workers whose skills are scarcer internationally tend to rise.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Essay
HAS VARIABLES:	False
STUDENT ENTRY MODE:	Basic
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	The United States as an Open Economy
KEYWORDS:	BLOOM'S: Understand
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56. What is the most important factor that contributes to competitiveness?

ANSWER:	International competitiveness can be analyzed in terms of a firm, an industry, and a nation. Key to the concept of competitiveness is productivity, or output per worker hour. Productivity increases faster when countries produce goods and services in which they have a comparative advantage.
POINTS:	1
DIFFICULTY:	Moderate
QUESTION TYPE:	Subjective Short Answer
HAS VARIABLES:	False
STUDENT ENTRY MODE:	Basic
NATIONAL STANDARDS:	United States - BUSPROG: Analytic | Technology - BUSPROG: Analytic
STATE STANDARDS:	United States - PA - DISC1: - Gains from trade, specialization, and trade
TOPICS:	Has Globalization Gone Too Far?
KEYWORDS:	BLOOM'S: Understand
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