CHAPTER 6 Multiple Choice Questions: Test Bank
The United States in the Global Economy

Multiple Choice Questions

International linkages

1. The physical export of motorcycles from the United States to Mexico best illustrates a(n):
   A) trade flow.
   B) resource flow.
   C) financial flow.
   D) technology flow.

2. The physical import of digital video disk players (DVDs) to the United States from Japan best illustrates a(n):
   A) resource flow.
   B) financial flow.
   C) trade flow.
   D) technology flow.

3. The spending by Americans while traveling in Europe best illustrates a(n):
   A) trade flow.
   B) labor flow.
   C) financial flow.
   D) technology flow.

4. The emigration of software designers from India to the United States best illustrates a(n):
   A) trade flow.
   B) resource flow.
   C) financial flow.
   D) information flow.

5. The purchase by an American firm of the right to produce a prescription drug patented in Germany best illustrates a(n):
   A) trade flow.
   B) capital flow.
   C) goods and services flow.
   D) technology flow.
6. The business-to-business (B2B) retrieval of prices of foreign resources via the Internet best illustrates a(n):
   A) trade flow.
   B) capital and labor flow.
   C) financial flow.
   D) information flow.

7. The building of a production plant in China by an American firm best illustrates a(n):
   A) trade flow.
   B) resource flow.
   C) financial flow.
   D) information flow.

Trade: volume, facilitating factors, participants

8. American exports and imports of goods and services each average about what percentage of GDP?
   A) 4-6 percent
   B) 25-28 percent
   C) 12-17 percent
   D) 30-32 percent

9. Which of the following statements is correct?
   A) The United States' exports and imports are smaller absolutely, but larger as a percentage of GDP, than other nations'.
   B) A number of other nations have exports and imports that are absolutely larger than those of the United States.
   C) The United States' exports and imports are absolutely larger than any other nation's, but the exports and imports of many other nations are a larger percentage of their GDPs.
   D) The United States' exports and imports are larger absolutely and as a percentage of GDP than any other nation's.

10. Most of the United States' international trade is with:
    A) other industrially advanced capitalist countries.
    B) the OPEC countries.
    C) developing countries.
    D) Russia and China.

11. The United States' most important trading partner in terms of dollar volume is:
    A) Mexico.
    B) Canada.
    C) Germany.
    D) Japan.

12. In terms of absolute volumes of imports and exports, the world's leading trading nation is:
    A) France.
    B) Japan.
    C) the United States.
    D) South Korea.

13. Which of the following statements is correct?
    A) United States exports and imports have been decreasing as a percentage of U.S. GDP but the U.S. share of total world
trade has been increasing.
B) United States exports and imports have been decreasing as a percentage of U.S. GDP and the U.S. share of total world trade has been declining.
C) United States exports and imports have been expanding as a percentage of U.S. GDP and the U.S. share of total world trade has been increasing.
D) United States exports and imports have been expanding as a percentage of U.S. GDP but the U.S. share of total world trade has been declining.

14. United States exports and imports have:
   A) grown absolutely, but remained a constant proportion of GDP.
   B) grown absolutely, but declined as a proportion of GDP.
   C) grown both absolutely and as a percentage of GDP.
   D) declined both absolutely and as a percentage of GDP.

15. In recent years the United States has:
   A) exported more goods and services than it has imported.
   B) imported more goods and services than it has exported.
   C) realized an approximate balance in its imports and exports.
   D) experienced a falling absolute dollar amount of imports and a rising absolute dollar amount of exports.

16. The bulk of the U.S. international trade is with:
   A) the nations of Eastern Europe.
   B) the developing countries of Africa, Asia, and Latin America.
   C) other industrialized nations, for example, Canada, Japan, and the countries of Western Europe.
   D) China.

17. Which of the following is a true statement?
   A) The United States has the world’s largest ratio of exports to GDP.
   B) The United States is almost entirely dependent on other countries in obtaining items such as silk, nickel, tin, and coffee.
   C) U.S. exports to Japan greatly exceed U.S. imports from Japan.
   D) Since 1947 the United States has accounted for a rising percentage of total world trade.

18. As a percentage of GDP (total output), U.S. exports are:
   A) about 20 percent.
   B) lower than in some other industrial countries, including Germany and Canada.
   C) less today than they were in 1975.
   D) the highest in the world.

19. The average U.S. tariff rate on imported goods is about:
   A) 4 percent.
   B) 12 percent.
   C) 25 percent.
   D) 50 percent.

20. The major goods exports of the United States (in dollar volume) are:
   A) semiconductors, computers, chemicals, consumer durables, and generating equipment.
   B) petroleum, automobiles, clothing, computers, and household appliances.
   C) iron and steel, clothing, electronic equipment, beef, and sugar.
   D) aircraft, glassware, paper products, television sets, and furniture.
21. The major goods imports of the United States (in dollar volume) are:
   A) chemicals, computers, consumer durables, aircraft, and grain.
   B) automobiles, computers, petroleum, clothing, and household appliances.
   C) iron and steel, clothing, electronic equipment, beef, and sugar.
   D) aircraft, glassware, paper products, television sets, and furniture.

22. Which of the following has not been a facilitating factor in world trade?
   A) dramatic improvements in communications technology
   B) general declines in tariffs
   C) import quotas
   D) improvements in transportation technology.

23. In terms of absolute dollar volume, the world's leading export nations are:
   A) the United States, Germany, and Japan.
   B) the United States, Japan, and Canada.
   C) Japan, China, and Great Britain.
   D) Japan, the United States, and France.

24. The group of four geographically small economies of Hong Kong, Singapore, South Korea, and Taiwan:
   A) prohibit imports from the United States.
   B) account for nearly 20 percent of world trade.
   C) account for about 10 percent of world trade.
   D) recently have joined with Japan in a free trade zone called the Asian Union (AU).

25. Multinational corporations:
   A) mainly are headquartered in Switzerland.
   B) are so named because of their heavy export volume.
   C) are illegal under the U.S. antitrust laws.
   D) are so named because of their sizable foreign production and distribution assets.

Specialization and comparative advantage

26. According to the concept of comparative advantage, a good should be produced in that nation where:
   A) its domestic opportunity cost is greatest.
   B) money is used as a medium of exchange.
   C) its domestic opportunity cost is least.
   D) the terms of trade are maximized.

27. The terms of trade:
   A) show the ratio at which nations will exchange two goods.
   B) show how the gains from trade can be equally shared.
   C) show the value of one nation's currency in terms of another nation's currency.
   D) compare the volume of a nation's exports and imports.

Use the following to answer questions 28-33:
Answer the next question(s) on the basis of the following production possibilities data for Landia and Scandia:

Landia production possibilities:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Chips</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

Scandia production possibilities:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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</thead>
<tbody>
<tr>
<td>Fish</td>
<td>16</td>
<td>12</td>
<td>8</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Chips</td>
<td>0</td>
<td>12</td>
<td>24</td>
<td>36</td>
<td>48</td>
</tr>
</tbody>
</table>

28. Refer to the above data. The domestic opportunity cost of 1 fish in Landia is:
   A) 10 chips.
   B) 2 chips.
   C) 4 chips.
   D) 5 chips.

29. Refer to the above data. The domestic opportunity cost of 1 fish in Scandia is:
   A) 12 chips.
   B) 4 chips.
   C) 3 chips.
   D) 1 chip.

30. On the basis of the production possibilities data shown:
   A) Landia has a comparative advantage in chips while Scandia has a comparative advantage in fish.
   B) Landia has a comparative advantage in fish while Scandia has a comparative advantage in chips.
   C) both Landia and Scandia have a comparative advantage in fish.
   D) both Landia and Scandia have a comparative advantage in chips.

31. Refer to the above data. If Landia and Scandia fully specialize based on comparative advantage, their aggregate output will be:
   A) 48 chips and 8 fish.
   B) 40 chips and 16 fish.
   C) 36 chips and 10 fish.
   D) 42 chips and 12 fish.

32. Refer to the above data. Assume that before specialization and trade Landia was producing combination C and Scandia was producing combination B. If these two nations now specialize completely based on with comparative advantage, the total gains from specialization and trade would be:
   A) 8 fish and 2 chips.
   B) 10 fish and 4 chips.
   C) 0 fish and 8 chips.
   D) 4 fish and 6 chips.

33. Refer to the above data. Which of the following would be feasible terms of trade between Landia and Scandia?
   A) 1 fish for 4 chips
   B) 1 fish for 6 chips
C) 1 fish for 7 chips
D) 2 fish for 4 chips

34. The primary benefits of international trade include:
   A) the more efficient use of world resources and higher living standards.
   B) greater stability of domestic output, employment, and the price level.
   C) diminished dependence on foreign supplies of goods and materials.
   D) greater economic security for our domestic producers.

Use the following to answer questions 35-39:

Answer the next question(s) on the basis of the following production possibilities tables for countries Alpha and Beta:

<table>
<thead>
<tr>
<th></th>
<th>Alpha</th>
<th></th>
<th></th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production Possibilities</td>
<td>Production Possibilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>X</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Y</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

35. Refer to the above tables. The domestic opportunity cost of one unit of X in Alpha is:
   A) 2 units of Y.
   B) 4 units of Y.
   C) 1 unit of Y.
   D) 3 units of Y.

36. Refer to the above tables. The domestic opportunity cost of one unit of X in Beta is:
   A) 2 units of Y.
   B) 4 units of Y.
   C) 1 unit of Y.
   D) 3 units of Y.

37. Refer to the above tables. According to the concept of comparative advantage:
   A) Alpha should specialize in X; Beta in Y.
   B) Beta should produce some X and some Y.
   C) Alpha should produce some X and some Y.
   D) Beta should specialize in X; Alpha in Y.

38. Refer to the above tables. Assume that before specialization both nations chose to produce alternative B. The gains from specialization and trade would be:
   A) 2 units of X and 2 units of Y.
   B) 4 units of X.
   C) 4 units of Y.
   D) 6 units of X and 3 units of Y.

39. Refer to the above tables. Which one of the following terms of trade would be acceptable to both countries?
   A) 1 unit of X for 3 units of Y
   B) 1 unit of X for 5 units of Y
   C) 1 unit of X for 12 units of Y
D) 1 unit of X for 1 unit of Y

Refer to the above domestic production possibilities curve for Abernorelco. The gain to Abernorelco from specialization and international trade is represented by a move from:
A) A to B.
B) C to A.
C) C to D.
D) B to E.

Foreign exchange market

41. Exchange rates are particularly important because:
A) they present a challenge to financial speculators.
B) they link the price levels of various nations to one another.
C) they represent exceptions to the laws of demand and supply.
D) equilibrium is never achieved in such markets.

42. If the equilibrium exchange rate changes so that it takes more dollars to buy a British pound, then:
A) the dollar has appreciated in value.
B) Americans will import more British goods.
C) the British will buy fewer U.S. goods.
D) the dollar has depreciated in value.

43. If incomes rise rapidly in the United States and U.S. preferences for foreign goods strengthen, we would expect:
A) the dollar to appreciate in value.
B) the dollar to depreciate in value.
C) the dollar price of foreign monies to decrease.
D) U.S. exports to increase.

44. If the exchange rate changes from $1 = 20 francs to $1 = 30 francs:
A) the dollar has appreciated in value.
B) the dollar has depreciated in value.
C) the dollar has neither appreciated nor depreciated, but the franc has appreciated in value.
D) U.S. exports to France will increase.

45. Mexican imports of U.S. goods:
A) create a supply of pesos.
B) create a supply of dollars.
C) reduce the demand for dollars.
D) have no effect on the peso-dollar exchange rate.

46. A change in the dollar price of yen from $1 = 100 yen to $1 = 50 yen will:
A) make U.S. goods more expensive to the Japanese.
B) make Japanese goods less expensive to Americans
C) increase U.S.exports and depress Japanese exports.
D) increase Japanese exports and depress U.S. exports.

47. Depreciation of the dollar will:
A) increase the prices of U.S. imports, but decrease the prices of U.S. exports.
B) decrease the prices of U.S. imports, but increase the prices of U.S. exports.
C) increase the prices of both U.S. imports and exports.
D) decrease the prices of both U.S. imports and exports.

48. Appreciation of the Mexican peso will:
A) make Mexico's exports and imports both more expensive.
B) make Mexico's exports more expensive and its imports less expensive.
C) make Mexico's exports less expensive and its imports more expensive.
D) increase Mexican exports.

49. All else equal, depreciation of the Mexican peso relative to the U.S. dollar would make a trip by:
A) an American to Mexico more expensive.
B) a Mexican to the United States less expensive.
C) an American to Mexico less expensive.
D) an Australian to the United States more expensive.

50. If the Japanese yen appreciates relative to the Swedish krona, then the krona:
A) will be more expensive to the Japanese.
B) may either appreciate or depreciate relative to the yen.
C) will appreciate relative to the yen.
D) will depreciate relative to the yen.

51. Other things equal, Canadian imports of U.S. goods:
A) create a supply of Canadian dollars in the foreign exchange market.
B) create a supply of U.S. dollars in the foreign exchange market.
C) reduce the demand for U.S. dollars.
D) have no effect on the U.S. dollar price of Canadian dollars.

52. If yesterday $1 would buy 800 South Korean won, but today $1 will only buy 790 won; the:
A) dollar has appreciated in value.
B) dollar has depreciated in value.
C) demand for dollars in the foreign exchange market has increased relative to the supply of won.
D) won price of dollars has gone up.

Use the following to answer questions 53-55:
Answer the next question(s) on the basis of the following table which indicates the dollar price of luta, the currency used in the hypothetical economy of Luteland:

<table>
<thead>
<tr>
<th>Quantity of luta demanded (billions)</th>
<th>Dollar price of luta</th>
<th>Quantity of luta supplied (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>800</td>
<td>$10</td>
<td>150</td>
</tr>
<tr>
<td>600</td>
<td>8</td>
<td>200</td>
</tr>
<tr>
<td>400</td>
<td>6</td>
<td>400</td>
</tr>
<tr>
<td>200</td>
<td>2</td>
<td>650</td>
</tr>
</tbody>
</table>

53. Refer to the above table. The equilibrium dollar price of luta is:
   A) $10.
   B) $8.
   C) $6.
   D) $2.

54. Refer to the above table. The exchange rate in this market is:
   A) 8 luta for one dollar.
   B) .60 luta for one dollar.
   C) 6 luta for one dollar.
   D) .167 luta for one dollar.

55. Refer to the above table. Suppose that the United States imports more products from Luteland than before. All else equal, the dollar price of luta will:
   A) rise and the dollar will depreciate.
   B) fall and the dollar will depreciate.
   C) rise and the dollar will appreciate.
   D) fall and the dollar will appreciate.

56. All else equal, U.S. imports from Germany create a:
   A) demand for German marks.
   B) supply of German marks.
   C) demand for American dollars.
   D) surplus of German marks.

57. All else equal, U.S. exports to Germany create a:
   A) demand for German marks.
   B) supply of German marks.
   C) supply of American dollars.
   D) shortage of German marks.

58. If the dollar price of one yen is $.04, a Japanese good priced at 560 yen would cost an American:
   A) $22.40.
   B) $2240.
   C) $14,000.
   D) $2.40.
Trade barriers

59. Protective tariffs are:
   A) maximum limits on the quantity or total value of specific products imported to a nation.
   B) excise taxes or duties placed on imported products.
   C) licensing requirements, unreasonable quality standards, and the like designed to impede imports.
   D) government payments to domestic producers to reduce the world prices of exported goods.

60. Import quotas are:
   A) maximum limits on the quantity or total value of specific products imported to a nation.
   B) excise taxes or duties placed on imported products.
   C) licensing requirements, unreasonable quality standards, and the like designed to impede imports.
   D) government payments to domestic producers to reduce the world prices of exported goods.

61. Export subsidies are:
   A) maximum limits on the quantity or total value of specific products imported to a nation.
   B) excise taxes or duties placed on imported products.
   C) licensing requirements, unreasonable quality standards, and the like designed to impede imports.
   D) government payments to domestic producers to reduce the world prices of exported goods.

62. Nontariff barriers are:
   A) maximum limits on the quantity or total value of specific products imported to a nation.
   B) excise taxes or duties placed on imported products.
   C) licensing requirements, unreasonable quality standards, and the like designed to impede imports.
   D) government payments to domestic producers to reduce the world prices of exported goods.

63. A nation's true "gain" from international trade is:
   A) increased employment in export industries.
   B) an overall increase in output obtained through specialization and exchange.
   C) added technological knowledge.
   D) the tariff revenue that goes to the national treasury.

64. The Smoot-Hawley Act:
   A) bound the world's nations to a gradual process of tariff reduction.
   B) established very high tariffs on goods imported to the United States.
   C) exempted American exporters from the Sherman Antitrust Act.
   D) established the reciprocal trade agreements program.

Multilateral agreements: free trade zones; implications of the global economy

65. The Reciprocal Trade Agreements Act:
   A) exempted American exporters from the Sherman Antitrust Act.
   B) provided technological assistance to developing countries.
   C) brought about considerable reductions in American trade barriers.
   D) eliminated American subsidies to agricultural exports.
66. The "most-favored-nation" clause of reciprocal trade agreements:
   A) outlaw tariffs on products for which an exporting nation has a comparative advantage.
   B) single out a particular nation for exemption from an import quota.
   C) means that any tariff reductions the United States negotiates with a specific nation will automatically apply to many other nations.
   D) confers special trade privileges to nations in which the United States has military bases.

67. The General Agreement on Tariffs and Trade (GATT) is based on the principle of:
   A) establishing a single international currency.
   B) tariff reductions through multilateral negotiations.
   C) converting tariffs to import quotas.
   D) establishing common environmental and labor standards for all member nations.

68. The recently completed "round" of negotiations under the General Agreement on Tariffs and Trade (GATT) was called the:
   A) Smoot-Hawley Round.
   B) London Round.
   C) Uruguay Round.
   D) Geneva Round.

69. The Uruguay Round of GATT negotiations completed in late 1993:
   A) established a free trade zone between the United States and Mexico.
   B) made the Russian ruble convertible into other currencies.
   C) created the European Union (EU).
   D) created international protections for intellectual property such as patents, copyrights, and trademarks.

70. An important outcome of the Uruguay Round of GATT negotiations was:
   A) a worldwide reduction of agricultural export subsidies.
   B) establishment of the European Union.
   C) the elimination of all tariffs and quotas worldwide.
   D) establishment of the World Bank.

71. The Uruguay Round of GATT negotiations:
   A) expanded the European Union by four nations.
   B) reduced tariffs on goods, but increased tariffs on services.
   C) is also known as NAFTA.
   D) liberalized governmental rules to expand trade in services.

72. The World Trade Organization (WTO):
   A) sets tariffs to balance international trade among nations.
   B) is the successor to GATT.
   C) is better known as the European Union.
   D) sets exchange rates to balance international trade among nations.

73. The World Trade Organization (WTO)
   A) sets tariffs to balance international trade among nations.
   B) is the successor to NAFTA.
   C) hears and rules on trade disputes between nations.
   D) sets exchange rates to balance international trade among nations.
74. Critics of the WTO argue that free international trade and investment will:
   A) reduce U.S. imports.
   B) reduce employment in developing nations.
   C) undermine environmental and labor protections in the United States.
   D) increase immigration from low-income to high-income nations.

75. Proponent of the WTO argue that free international trade and investment will:
   A) reduce economic growth rates in the industrial economies.
   B) reduce employment in developing nations.
   C) eliminate world poverty.
   D) increase living standards of all trading nations.

76. A trade block is:
   A) a tariff or quota that impedes imports.
   B) a group of nations that allows free trade among member nations but restrict imports from nonmember nations via tariffs and quotas.
   C) an area of a nation where manufacturers can import product components without paying tariffs.
   D) a group of nations that advertise their common export goods abroad.

77. Which of the following nations is not a member of the European Union?
   A) Switzerland
   B) France
   C) Germany
   D) Italy

78. The primary economic advantage of the European Union (EU) to its members is that:
   A) the tax structures of each participating nation have been made nearly identical.
   B) each nation is free to formulate its own antitrust and agricultural policies.
   C) participating nations use a common currency.
   D) the reduction of trade barriers permits producers to achieve mass-production economies.

79. The main problem posed by trade blocs for nonmember nations is that:
   A) member nations may achieve growth rates that exceed those of nonmember nations.
   B) nonmembers must exchange their currencies for foreign monies before they can engage in export or import transactions.
   C) nonmembers face tariffs that member nations do not.
   D) member nations refuse to participate in tariff negotiations sponsored by GATT.

80. The European Union (EU) comprises a group of European nations that have:
   A) abolished tariffs among one another and established a system of common tariffs with respect to nonmember nations.
   B) fully integrated their economies by establishing a central bank, a common currency, and a coordinated set of governmental budgetary policies.
   C) agreed to trade only among one another.
   D) eliminated all tariffs and trade barriers with nonmember nations.

   A) resulted from GATT negotiations at the Uruguay Round.
   B) established a free trade zone encompassing Canada, Mexico, and the United States.
   C) is also known as the Reciprocal Trade Act.
D) permits the former republics of the Soviet Union to export goods duty free to North America.

82. Which of the following has been an outcome of the North American Free Trade Agreement (NAFTA)?
   A) a lower standard of living in Canada, Mexico, and the United States
   B) lower wages in the United States and Canada
   C) increased trade among Canada, Mexico, and the United States
   D) lower wages and reduce employment in Mexico

83. A number of European nations have agreed to use the__________ as a common currency:
   A) mark.
   B) pound.
   C) euro.
   D) continental.

84. Which of these groups of nations are all members of the Euro zone?
   A) Great Britain, France, and Switzerland
   B) France, Germany, and Italy
   C) Denmark, Sweden, and Norway
   D) Russia, Poland, and Hungary

85. Which of the following nations is not a member of the Euro zone?
   A) Italy
   B) Spain
   C) Germany
   D) Great Britain

86. On July 1, 2002 a number of European nations will:
   A) abandon their national currencies and switch to the euro.
   B) permit payment either in their national currencies or in euros.
   C) abandon their national currencies and switch to American dollars.
   D) form a single country called the Union of European Nations (UEN).

87. The full implementation of the euro is expected to:
   A) increase the rate of inflation slightly in the Euro zone nations.
   B) increase the rate of employment substantially in Euro zone nations.
   C) increase international trade among the Euro zone nations.
   D) increase income inequality within the Euro zone nations.

88. NAFTA refers to the:
   A) National Association of Free Trade Agencies.
   B) National Alliance for Foreign Trade and Assistance.
   C) North American Free Trade Agreement.
   D) Northern Alliance For Tariff Adjustment.

89. Critics of the North American Free Trade Agreement (NAFTA) falsely feared that it would:
   A) increase the flow of illegal Mexican immigrants to the United States.
   B) cause the European Union and Japan to raise trade barriers against U.S. goods.
   C) cause a massive loss of U.S. jobs to Mexico.
D) increase foreign ownership of assets in the United States.

90. Global competition:
   A) forces domestic producers to become more efficient and to improve product quality.
   B) drives up prices worldwide.
   C) reduces employment worldwide.
   D) creates higher flows of international migration than without trade.

91. Since the signing of the North American Free Trade Agreement (NAFTA) in 1993:
   A) total employment in the United States has declined.
   B) the unemployment rate in the United States has decreased.
   C) Mexican exports to the United States have declined.
   D) productivity growth in Canada, Mexico, and the United States has stagnated.

Last Word Questions

92. (Last Word) The main point of the Art Buchwald article on the Baleful Refrigerator Company is that:
    A) foreign-produced refrigerators outsell American-made refrigerators because the foreign refrigerators are of superior quality.
    B) competition from foreign manufacturers of refrigerators has greatly improved the quality of American refrigerators.
    C) appreciation of foreign currencies greatly reduces American imports of products such as refrigerators.
    D) American-produced final products often contain parts made abroad.

93. (Last Word) Which of the following familiar sayings best represents the main point of Art Buchwald's article on the Baleful Refrigerator Company?
    A) All that glitters is not gold.
    B) Birds of a feather flock together.
    C) Things are not always as they seem.
    D) There is no such thing as a free lunch.

94. (Last Word) The main point of the Art Buchwald article on the Baleful Refrigerator Company is that:
    A) it is often difficult and arbitrary to designate a product as "American" or "foreign".
    B) The United States exports more refrigerators than it imports.
    C) exchange rates determine whether the United States is a net exporter.
    D) The United States is the only nation with a comparative advantage in producing refrigerators.

True/False Questions

95. Immigration of workers is an example of a goods and services flow:

96. The United States exports a higher U.S. dollar volume of goods to Canada than to any other nation.

97. The United States, Japan, and the western European nations are the major international traders in terms of overall volume.
98. Specialized production and international trade increase a nation's productivity and increase consumption possibilities.
99. A nation has a comparative advantage in some product when it can produce that good at a lower domestic opportunity cost than can a potential trading partner.

100. Terms of trade of 1X=5Y will be acceptable to two countries that have domestic opportunity costs of 1X=4Y and 1X=1Y, respectively.

101. Mexican importers are suppliers of pesos in the foreign exchange market.

102. When the dollar price of yen rises, the dollar appreciates in value relative to the yen.

103. Import quotas are taxes or duties on imported products.

104. Barriers to free trade impair efficiency in the international allocation of resources.

105. The "most-favored-nation" clause in reciprocal trade agreements means that any tariff reductions the United States negotiates with a specific nation will automatically apply to many other nations.

106. The WTO is comprised of twelve European nations.

107. The Uruguay Round of GATT reduced barriers to the international trade of services.

108. The European Union (EU) is a free trade zone comprising all the nations of eastern and western Europe.

109. France, Germany, and Italy are all members of the Euro zone.

110. NAFTA is an international accord that will eliminate all tariffs and quotas worldwide by the year 2050.