

International Economics questions

Part I

A nation's ability to produce a product more efficiently than another country is referred to as

- a. globalization.
- b. foreign trade.
- c. interdependence.
- d. absolute advantage.

A nation's ability to produce a product more efficiently than another country is referred to as

- a. globalization.
- b. foreign trade.
- c. interdependence.
- d. absolute advantage.

Nebraska specializes in the production of corn and Maine specializes in the production of lobsters, therefore the two states could engage in trade that benefits both parties. This law of economics is known as

- a. supply and demand.
- b. parallel consumption.
- c. comparative advantage.
- d. relative distribution.

Nebraska specializes in the production of corn and Maine specializes in the production of lobsters, therefore the two states could engage in trade that benefits both parties. This law of economics is known as

- a. supply and demand.
- b. parallel consumption.
- c. comparative advantage.
- d. relative distribution.

Country X and Country Y are the same size in terms of population, area, and capital stock. If both countries devote all of their efforts to producing widgets, Country X can produce 10 million widgets, while Country Y can produce 5 million. Based on the information given, Country X has

- a. a monopoly on the production of widgets.
- b. an absolute advantage in producing widgets.
- c. a comparative advantage in producing widgets.
- d. a lower opportunity cost in the production of widgets.

Country X and Country Y are the same size in terms of population, area, and capital stock. If both countries devote all of their efforts to producing widgets, Country X can produce 10 million widgets, while Country Y can produce 5 million. Based on the information given, Country X has

- a. a monopoly on the production of widgets.
- b. an absolute advantage in producing widgets.**
- c. a comparative advantage in producing widgets.
- d. a lower opportunity cost in the production of widgets.

Country X can produce 1,000 units of food and 2,000 units of clothes. Country Y can produce 1,000 units of food and 1,000 units of clothes. In order to maximize trade according to the principles of comparative advantage,

- a. Country X should produce food and import clothes from Country Y.
- b. Country Y should produce food and import clothes from Country X.
- c. Country X and Y should produce both food and clothes to meet their own needs.
- d. Country Y should produce both food and clothes, and import additional clothes from Country X.

Country X can produce 1,000 units of food and 2,000 units of clothes. Country Y can produce 1,000 units of food and 1,000 units of clothes. In order to maximize trade according to the principles of comparative advantage,

- a. Country X should produce food and import clothes from Country Y.
- b. Country Y should produce food and import clothes from Country X.**
- c. Country X and Y should produce both food and clothes to meet their own needs.
- d. Country Y should produce both food and clothes, and import additional clothes from Country X.

While the balance of trade is the difference between the monetary value of exports and imports, the balance of payments

- a. counts only goods.
- b. counts only services.
- c. counts goods and the financial transactions between countries.
- d. counts goods, services, and financial transactions between countries.

While the balance of trade is the difference between the monetary value of exports and imports, the balance of payments

- a. counts only goods.
- b. counts only services.
- c. counts goods and the financial transactions between countries.
- d. counts goods, services, and financial transactions between countries.

What happens to the production of Product A as a result of comparative advantage?

Output Before Specialization and Trade				
	U.S.	Japan	Total	
Product A	20,000	30,000	50,000	
Product B	500,000	30,000	530,000	
Output After Specialization and Trade				
	U.S.	Japan	Total	Net Gain
Product A	-0-	60,000	60,000	10,000
Product B	800,000	-0-	800,000	270,000

- The output of Product A decreases to 0 total units.
- The output of Product A increases to 60,000 total units.
- The output of Product A decreases to 30,000 total units.
- The output of Product A increases to 800,000 total units.

What happens to the production of Product A as a result of comparative advantage?

Output Before Specialization and Trade				
	U.S.	Japan	Total	
Product A	20,000	30,000	50,000	
Product B	500,000	30,000	530,000	
Output After Specialization and Trade				
	U.S.	Japan	Total	Net Gain
Product A	-0-	60,000	60,000	10,000
Product B	800,000	-0-	800,000	270,000

- a. The output of Product A decreases to 0 total units.
- b. The output of Product A increases to 60,000 total units.**
- c. The output of Product A decreases to 30,000 total units.
- d. The output of Product A increases to 800,000 total units.

The difference between money paid to, and received from, other nations in trade is the

- a. balance of trade.
- b. absolute advantage.
- c. balance of payments.
- d. comparative advantage.

The difference between money paid to, and received from, other nations in trade is the

- a. balance of trade.
- b. absolute advantage.
- c. balance of payments.
- d. comparative advantage.

The BEST description of a situation in which a country has a "trade deficit" is their

- a. inflation exceeds 1%
- b. unemployment exceeds 6%
- c. exports exceed their imports
- d. imports exceed their exports

The BEST description of a situation in which a country has a "trade deficit" is their

- a. inflation exceeds 1%
- b. unemployment exceeds 6%
- c. exports exceed their imports
- d. imports exceed their exports

When the value of a country's exports is greater than its imports, that country has a

- a. positive advantage
- b. positive balance of trade
- c. negative balance of trade
- d. negative balance of payments

When the value of a country's exports is greater than its imports, that country has a

- a. positive advantage
- b. positive balance of trade**
- c. negative balance of trade
- d. negative balance of payments

How can a country have a balance of payments deficit and a balance of trade surplus?

- a. It is impossible.
- b. The balance of payments and the balance of trade are measured in different months.
- c. The balance of payments is determined by the country's total Gross National Product.
- d. The balance of trade refers to only the current account, and the balance of payments include all transactions.

How can a country have a balance of payments deficit and a balance of trade surplus?

- a. It is impossible.
- b. The balance of payments and the balance of trade are measured in different months.
- c. The balance of payments is determined by the country's total Gross National Product.
- d. The balance of trade refers to only the current account, and the balance of payments include all transactions.