

Chapter 31 International Economy Practice Test

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. Ivan, a Russian citizen, sells several hundred cases of caviar to a restaurant chain in the United States. By itself this sale
- increases U.S. net exports and has no effect on Russian net exports.
 - increases U.S. net exports and decreases Russian net exports.
 - decreases U.S. net exports and has no effect on Russian net exports.
 - decreases U.S. net exports and increases Russian net exports.
- _____ 2. Francisco, a Portuguese citizen, orders textbooks from a publisher in America. By itself this sale
- increases U.S. net exports and has no effect on Portuguese net exports.
 - increases U.S. net exports and decreases Portuguese net exports.
 - decreases U.S. net exports and has no effect on Portuguese net exports.
 - decreases U.S. net exports and increases Portuguese net exports.
- _____ 3. Mike, a U.S. citizen, buys \$10 of cheese from France. His action alone
- increases U.S. exports by \$10 and increases U.S. net exports by \$10.
 - increases U.S. exports by \$10 and decreases U.S. net exports by \$10.
 - increases U.S. imports by \$10 and increases U.S. net exports by \$10.
 - increases U.S. imports by \$10 and decreases U.S. net exports by \$10.
- _____ 4. In the second quarter of 2000, U.S. net exports were about -\$340 billion and imports were about \$1,380 billion. Therefore, exports were about
- \$1,720 billion.
 - \$1,040 billion.
 - \$340 billion.
 - None of the above are correct.
- _____ 5. Suppose that Canada has positive net exports. Then Canada
- sells more abroad than it purchases abroad and has a trade surplus.
 - sells more abroad than it purchases abroad and has a trade deficit.
 - buys more abroad than it sells abroad and has a trade surplus.
 - may have any of the above; more information is necessary.
- _____ 6. The U.S. economy, over the years, has become
- more closed.
 - more open.
 - less trade-oriented.
 - more self-sufficient.
- _____ 7. Net foreign investment refers to
- the purchase of foreign assets by domestic residents minus the purchase of foreign goods and services by domestic residents.
 - the purchase of foreign assets by domestic residents minus the purchase of domestic assets by foreign residents.
 - the purchase of domestic assets by foreign residents minus the purchase of domestic goods and services by foreign residents.
 - the purchase of domestic assets by foreign residents minus the purchase of foreign

assets by domestic residents.

- _____ 8. Which of the following is true?
- $NFI + C = NX$
 - $NFI = NX$
 - $NX - NFI = C$
 - $NX + NFI = C$
- _____ 9. When China sells shoes to the United States, U.S. net exports
- increase, and U.S. net foreign investment increases.
 - increase, and U.S. net foreign investment decreases.
 - decrease, and U.S. net foreign investment increases.
 - decrease, and U.S. net foreign investment decreases.
- _____ 10. A nation with a large trade deficit must have
- large and positive Net Foreign Investment.
 - large and negative Net Foreign Investment.
 - small and negative Net Foreign Investment.
 - None of the above are correct.
- _____ 11. If the exchange rate changes from 120 yen per dollar to 100 yen per dollar, then the dollar has
- appreciated and so buys more Japanese goods.
 - appreciated and so buys fewer Japanese goods.
 - depreciated and so buys more Japanese goods.
 - depreciated and so buys fewer Japanese goods.
- _____ 12. If purchasing-power parity holds, a dollar will buy
- more goods in foreign countries than in the United States.
 - as many goods in foreign countries as it does in the United States.
 - fewer goods in foreign countries than it does in the United States.
 - None of the above is implied by purchasing-power parity.
- _____ 13. Bill, an Irish citizen buys a birdcage manufactured in the United States. This purchase is
- a U.S. export, and an Irish import.
 - a U.S. import, and an Irish export.
 - both a U.S. and Irish import.
 - neither an export nor an import for either country.
- _____ 14. If the exchange rate changes from 35 Thai Bhat per dollar to 40 Thai Bhat per dollar, the dollar has
- appreciated and so buys more Thai goods.
 - appreciated and so buys fewer Thai goods.
 - depreciated and so buys more Thai goods.
 - depreciated and so buys fewer Thai goods.