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
   a. increases U.S. net exports and has no effect on Russian net exports.
   b. increases U.S. net exports and decreases Russian net exports.
   c. decreases U.S. net exports and has no effect on Russian net exports.
   d. 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
   a. increases U.S. net exports and has no effect on Portuguese net exports.
   b. increases U.S. net exports and decreases Portuguese net exports.
   c. decreases U.S. net exports and has no effect on Portuguese net exports.
   d. 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
   a. increases U.S. exports by $10 and increases U.S. net exports by $10.
   b. increases U.S. exports by $10 and decreases U.S. net exports by $10.
   c. increases U.S. imports by $10 and increases U.S. net exports by $10.
   d. 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
   a. $1,720 billion.
   b. $1,040 billion.
   c. $340 billion.
   d. None of the above are correct.

____ 5. Suppose that Canada has positive net exports. Then Canada
   a. sells more abroad than it purchases abroad and has a trade surplus.
   b. sells more abroad than it purchases abroad and has a trade deficit.
   c. buys more abroad than it sells abroad and has a trade surplus.
   d. may have any of the above; more information is necessary.

____ 6. The U.S. economy, over the years, has become
   a. more closed.
   b. more open.
   c. less trade-oriented.
   d. more self-sufficient.

____ 7. Net foreign investment refers to
   a. the purchase of foreign assets by domestic residents minus the purchase of foreign goods and services by domestic residents.
   b. the purchase of foreign assets by domestic residents minus the purchase of domestic assets by foreign residents.
   c. the purchase of domestic assets by foreign residents minus the purchase of domestic goods and services by foreign residents.
   d. the purchase of domestic assets by foreign residents minus the purchase of foreign.
8. Which of the following is true?
   a. NFI + C = NX
   b. NFI = NX
   c. NX - NFI = C
   d. NX + NFI = C

9. When China sells shoes to the United States, U.S. net exports
   a. increase, and U.S. net foreign investment increases.
   b. increase, and U.S. net foreign investment decreases.
   c. decrease, and U.S. net foreign investment increases.
   d. decrease, and U.S. net foreign investment decreases.

10. A nation with a large trade deficit must have
    a. large and positive Net Foreign Investment.
    b. large and negative Net Foreign Investment.
    c. small and negative Net Foreign Investment.
    d. 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
    a. appreciated and so buys more Japanese goods.
    b. appreciated and so buys fewer Japanese goods.
    c. depreciated and so buys more Japanese goods.
    d. depreciated and so buys fewer Japanese goods.

12. If purchasing-power parity holds, a dollar will buy
    a. more goods in foreign countries than in the United States.
    b. as many goods in foreign countries as it does in the United States.
    c. fewer goods in foreign countries than it does in the United States.
    d. 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. a U.S. export, and an Irish import.
    b. a U.S. import, and an Irish export.
    c. both a U.S. and Irish import.
    d. 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
    a. appreciated and so buys more Thai goods.
    b. appreciated and so buys fewer Thai goods.
    c. depreciated and so buys more Thai goods.
    d. depreciated and so buys fewer Thai goods.