Unit 6 Evaluation

Evaluation 06

Economics

BUSH 035 061

This evaluation will cover the lessons in this unit. It is open book, meaning you can use your textbook, syllabus, and other course materials. You will need to understand, analyze, and apply the information you have learned in order to answer the questions correctly. To submit the evaluation by mail, follow the directions on your Enrollment Information Sheet. To take the evaluation online, access the online version of your course; use the navigation panel to access the prep page for this evaluation and follow the directions provided.

Multiple-Choice

Select the response that **best** completes the statement or answers the question.

_____ 1. What is the biggest factor that leads a country to specialize in certain products?

a. the needs of its citizens
b. the resources of the nation
c. the ability to trade with other nations
d. the demand for those products within the country

_____ 2. How does specialization affect employment patterns?

a. by creating specialized work for a few people
b. by changing job availability in a country or region
c. by making people produce only goods for which they have comparative advantage
d. by using the absolute advantage that many people have in production work

_____ 3. What is the law of comparative advantage?

a. A country is better off when it produces goods for which it has a comparative advantage.
b. A country has a comparative advantage if it exports more goods than it imports.
c. A country is better off if it imports goods for which it has a comparative advantage.
d. A country has a comparative advantage if it imports more goods than it exports.

_____ 4. What best describes the United States position in world trade?

a. It is largely self-sufficient.
b. It is primarily an exporter.
c. It is a major importer and exporter.
d. It is primarily an importer.

_____ 5. What is one reason some nations are concerned about multinational corporations?

a. Multinationals prevent host countries from engaging in free trade.
b. Multinationals can gain control over the host country's exports.
c. Multinationals prevent citizens in the host country from getting jobs.
d. Multinationals can sometimes gain excessive political power.

_____ 6. What is an argument in favor of protectionism?

a. It helps protect jobs.
b. It lowers the price of goods.
c. It limits free trade.
d. It gives consumers fewer choices.

_____ 7. What is the purpose of NAFTA?

a. to create a free-trade zone linking the United States and Central America
b. to reduce trade restrictions within the European Union
c. to create a free-trade zone linking the United States, Canada, and Mexico
d. to enforce the trade rules agreed upon by the World Trade Organization

_____ 8. When a nation exports more than it imports, economists say it has

a. insufficient trade.
b. a trade surplus.
c. an unfavorable balance of payments.
d. a trade deficit.

_____ 9. When an economist says that a currency has become stronger, he or she means that

a. it can be exchanged for more of a foreign currency.
b. it will buy fewer foreign goods.
c. services, unlike goods, can be exported freely.
d. there are a few things that the currency cannot buy in a foreign market.

_____ 10. The use of technology such as computers, telephones, and the Internet means that money exchanges and other financial transactions can be

a. based on United States dollars all over the world.
b. converted to prices in any currency.
c. made instantaneously.
d. protected from variations in any currency.

_____ 11. What is one way to correct a trade deficit?

a. Reduce the value of exports.
b. Limit exports.
c. Limit imports.
d. Increase government spending.

_____ 12. What can be an advantage for consumers when their country participates in international agreements?

a. trade wars
b. higher wages
c. product uniformity
d. lower prices

_____ 13. What is the possible disadvantage in the use of trade barriers to help domestic companies compete?

a. Domestic manufacturers may lose the incentive to keep prices low.
b. Domestic manufacturers may cut jobs for both citizens and immigrants.
c. Domestic manufacturers may punish foreign manufacturers by imposing import quotas.
d. The line between imported and domestic goods may become harder and harder to draw.

_____ 14. Protectionists argue that United States steel, advanced technology, and energy industries need to be guarded from foreign competition in order to ensure that

a. the prices of goods produced by these industries remain low.
b. these infant industries can develop freely.
c. these industries have an incentive to become more efficient.
d. the goods produced by these industries will continue to be available during a crisis.

_____ 15. The Bretton Woods Conference led directly to

a. the creation of a fixed exchange-rate system tied to United States dollars.
b. the creation of flexible exchange-rate systems that boosted trade.
c. the adoption of the euro by the countries of western Europe.
d. the creation of the North American Free Trade Agreement.

_____ 16. Isaac and Sherri need to earn extra money. They decide to make and sell coffee mugs and drawings at a local fair. Isaac can paint 6 mugs or draw 2 sketches per hour. Sherri can paint 8 mugs or make 3 sketches per hour. How would you describe the relative production?

a. Sherri has an absolute advantage in producing mugs but not sketches.
b. Sherri has an absolute advantage in producing both mugs and sketches.
c. Sherri has an absolute advantage in producing sketches but not mugs.
d. Isaac has an absolute advantage in producing mugs and sketches.

_____ 17. Refer to Figure 10.3 on page 399 in your textbook. Which statement best describes average United States tariff rates between 1980 and 2010?

a. They rose dramatically.
b. They fell dramatically.
c. They fell slightly.
d. They rose dramatically between 1980 and 1990; then leveled off.

_____ 18. What is one way that a host country can benefit from a multinational corporation?

a. higher protective tariffs
b. more jobs
c. greater political freedom
d. increased imports

_____ 19. The United States placed a limit on the number of cars that can be brought into the country for sale. What is this an example of?

a. import quota
b. import tax
c. customs duty
d. voluntary export restraint

_____ 20. American consumers buy canned salmon produced in the United States and in Japan. The United States decides to lower the tariff on canned salmon. What will the effect be on the canned salmon market?

a. decreased imports and decreased United States production
b. increased imports and increased United States production
c. decreased imports and increased United States production
d. increased imports and decreased United States production

_____ 21. What happens when a nation's currency depreciates?

a. Its products become more expensive in other countries.
b. Its trade barriers increase.
c. Its products become cheaper in other countries.
d. Its volume of trade decreases.

_____ 22. Germany tries to keep the value of its currency constant against the currency of France. What is this called?

a. fixed-exchange rate system
b. flexible exchange-rate system
c. floating currency exchange
d. constant pricing system

_____ 23. How would depreciating the exchange rate affect the United States trade deficit?

a. It would increase the trade deficit by discouraging foreign companies from exporting as many goods.
b. It would decrease the trade deficit by making United States goods cheaper and foreign goods more expensive.
c. It would increase the trade deficit by making United States goods more expensive and foreign goods less expensive.
d. It would increase the balance of payments but have no effect on the trade deficit.

_____ 24. The International Monetary Fund was established by

a. the Bretton Woods Conference.
b. NAFTA.
c. the United Nations.
d. the foreign exchange market.

_____ 25. Most major currencies have adopted the flexible exchange-rate system. How is the exchange rate determined under the system?

a. by the International Monetary Fund
b. by supply and demand
c. by the strength of the United States dollar
d. by a balance of payments

_____ 26. How does the infant mortality rate relate to a country's level of development?

a. It is a predictor of the adult literacy rate.
b. It is low in most non-industrialized areas.
c. It is high in some very industrialized countries.
d. It is an indicator of nutrition and health care.

_____ 27. What is the difference between a country's GDP and its per capita GDP?

a. A nation's GDP is its per capita GDP adjusted for inflation.
b. A nation's GDP is its per capita GDP divided by its population.
c. A nation's per capita GDP is its GDP divided by its population.
d. A nation's per capita GDP is its GDP adjusted for income levels.

_____ 28. What is usually a characteristic of developed countries?

a. high infant mortality
b. high literacy rate
c. low energy use
d. low productivity

_____ 29. What happens if a nation's population grows faster than its gross domestic product?

a. There will be economic decline.
b. Population growth will stop.
c. The nation's resources will decrease.
d. The nation's GDP will increase.

_____ 30. Why is it sometimes hard for LDCs to use their natural resources efficiently?

a. LDCs cannot afford to buy technology to develop their resources.
b. Natural resources are not evenly distributed throughout the world.
c. LDCs do not want to use technology to develop their resources.
d. The climate is often too harsh to allow them to develop their resources.

_____ 31. What happened when Russian president Boris Yeltsin got rid of price controls in 1992?

a. More wealth became concentrated in rural areas.
b. People on fixed incomes had an easier time buying basic goods.
c. Corruption was reduced.
d. Prices rose drastically.

_____ 32. How did China's economy change after the death of Mao Zedong?

a. It continued to produce food in large communes.
b. It used the production of steel and iron to its best advantage.
c. It adopted many of the practices of free enterprise.
d. It continued the rigid adherence to central manufacturing.

_____ 33. Which statement describes India's economy today?

a. It is growing rapidly, particularly in the field of high technology.
b. It is not growing as rapidly as other poor nations.
c. The lack of a middle class has limited economic growth.
d. It is growing rapidly as a result of large oil deposits.

_____ 34. What is one result of increased interconnections among financial markets?

a. Global competition has decreased.
b. The influence of multinational corporations is more limited.
c. Migration to developing nations has increased.
d. Economic problems in one nation spread to other nations.

_____ 35. What is the Group of 20?

a. a group of environmental scientists from 20 countries
b. a group of 20 multinational corporations
c. a group of finance ministers from growing countries, the United States, and the EU
d. a group of international aid organizations

_____ 36. Which issue has led to conflict between developing nations and environmentalists?

a. offshoring
b. deforestation
c. innovation
d. migration

_____ 37. “Brain drain” occurs when

a. a student from an LDC goes to college in a developed nation and then returns home to work in his own country.
b. an engineer leaves her LDC to work in a developed nation.
c. a boy in an LDC decides to work on the family farm instead of attending college.
d. a young girl in an LDC stops attending school after eighth grade.

_____ 38. The World Bank, the United Nations Development Program, and the International Monetary Fund all perform what service?

a. offering loans to individual entrepreneurs in developed nations
b. promoting domestic investment by the wealthy of less developed countries
c. giving disaster relief, such as food aid, to nations in crisis
d. providing development assistance to less developed countries

_____ 39. After World War II, the American government granted money to needy countries in Europe in the hopes of promoting democracy. This program was an example of

a. debt rescheduling.
b. foreign direct investment.
c. foreign portfolio investment.
d. foreign aid.

_____ 40. In 1999, India did not have shopping malls. It now has more than 100 malls. Which of the following explains this rapid development?

a. The largest economic growth has taken place in construction.
b. Uneducated people in rural areas are demanding malls.
c. The middle class is increasing demand for consumer goods.
d. The gap between rich and poor is shrinking.

_____ 41. During the 1980s, the British government privatized a number of businesses, including the post office and the telephone company. This involved

a. selling these government-owned businesses to individuals.
b. increasing security in these businesses to protect the privacy of British citizens.
c. converting privately owned companies to state-owned businesses.
d. enforcing stricter regulations in these industries for health and safety reasons.

_____ 42. In a particular nation, most citizens can read, have at least a high school education, and buy consumer goods. This country is probably considered to be a

a. developed nation.
b. less developed country.
c. newly industrialized country.
d. transitional country.

_____ 43. Josefina has been a farm worker in Mexico for many years. How might Mexico's increased economic diversification affect her?

a. She will have much more difficulty finding farm work.
b. She will be forced to work in the mine fields that are taking over farms.
c. She will have to travel farther to find agricultural work.
d. She will have more job opportunities outside of agriculture.

_____ 44. The population of less developed countries is expected to double in forty years. What is the most likely result?

a. These nations will have a high number of elders requiring more health care.
b. These countries' per capita GDP will not increase faster than population.
c. These countries will keep up with the demand for a higher living standard.
d. Nearby nations will bear the burden of the migrating population.

_____ 45. Which type of production is common in LDCs?

a. manufacturing
b. high technology agriculture
c. commercial agriculture
d. subsistence agriculture

_____ 46. Which statement best summarizes the Russian economy between 1998 and 2012?

a. It was in crisis until the price of oil began to rise.
b. It remained stagnant and did not recover.
c. It was transitioned to a centrally planned system.
d. It collapsed as the Soviet Union broke apart.

_____ 47. Increasing jobs in which areas has most helped Mexico's economy grow?

a. education
b. agriculture
c. manufacturing and service industries
d. healthcare

_____ 48. Which argument would an environmental scientist use in favor of sustainable development?

a. Education is a cause of poverty and hardship in many parts of the world.
b. Rapid development causes environmental problems for the whole world.
c. There is not enough wealth in the world to sustain development.
d. Less developed countries need to industrialize quickly to keep up.

_____ 49. Writer Thomas Friedman compared the new globalized economy to a race that competitors must run over and over again. What did he mean by this?

a. People will need to reinvent the same products over and over.
b. Companies will have to travel faster and farther than ever before.
c. The future world economy will be very fast-paced.
d. To be competitive, companies must continue to be innovative.

_____ 50. Ensuring that countries comply with the General Agreement on Tariffs and Trade is a responsibility of

a. the Smoot-Hawley Act.
b. the European Union.
c. the World Trade Organization.
d. the North Atlantic Treaty Organization.

Carefully check your answers on this evaluation and make any corrections you feel are necessary. When you are satisfied that you have answered the questions to the best of your ability, transfer your answers to an answer sheet. Please refer to the information sheet that came with your course materials