


Pool Canvas

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Add [Creation Settings](#)

Name TestBanks Chapter 1: The Global Macroeconomy
Description Question pool for TestBanks Chapter 1: The Global Macroeconomy
Instructions

[Modify](#)

[◀ Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

International macroeconomics studies:

- Answer**
- decisions of individual households in other countries.
 - decisions by governments in other countries.
 - the interrelationship of large-scale economic issues across countries.
 - the interrelationship of politics and economics within a country.

[◀ Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

International macroeconomics focuses on:

- Answer**
- interdependent and interconnected nations.
 - economy-wide variables such as interest rates, income, prices, and wealth.
 - large-scale economic problems.
 - All of the above.

[◀ Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Key elements of the international economy are:

- Answer**
- political alliances, capital accumulation, and monopoly power.
 - many currencies, financial integration, and economic policy choices made in context.
 - competition, efficiency, and openness.
 - waste and overuse of natural resources, disregard for the environment, and unfair competition.

[◀ Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Assuming that all goods are priced in a common currency in international markets is:

- Answer**
- correct.
 - correct if the nations agree.
 - incorrect in every case.
 - unrealistic.

[◀ Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Understanding how a nation's economy works requires a complete understanding of:

- Answer**
- the political system.
 - the level of imports and exports.
 - the exchange rate with other currencies.
 - the tax system.

[◀ Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What is an exchange rate? It is:

- Answer**
- the percentage rate of interest charged by international banks to exchange currency.
 - the fees banks charge their best customers to exchange currency.
 - the price of one nation's currency measured in units of another nation's currency.
 - the lending rate for international credit.

[◀ Add Question Here](#)

Question 7 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following would be an exchange rate?

- Answer**
- 1 car trades for 1000 books.
 - 1 dollar trades for 2 candy bars.
 - 1 dollar trades for 4 quarters.
 - 1 dollar trades for 3 pesos.

[◀ Add Question Here](#)

Question 8	Multiple Choice	0 points	Modify Remove
Question Exchange rate behavior is:			
Answer			
	<input type="checkbox"/>	unimportant in determining income, prices, and flows of goods and services.	
	<input checked="" type="checkbox"/>	very important in determining income, prices, and flows of goods and services.	
	<input type="checkbox"/>	very predictable, steady, and not of interest to policy makers.	
	<input type="checkbox"/>	not subject to market forces, but is determined by international agreements.	
			Add Question Here
Question 9	Multiple Choice	0 points	Modify Remove
Question Changes in a nation's exchange rates impact:			
Answer			
	<input type="checkbox"/>	asset prices (such as equities and bonds).	
	<input type="checkbox"/>	relative prices of homes and foreign goods.	
	<input type="checkbox"/>	prices of services (such as insurance or tourism).	
	<input checked="" type="checkbox"/>	All of the above are affected.	
			Add Question Here
Question 10	Multiple Choice	0 points	Modify Remove
Question Compared to 100 years ago, the number of currencies traded is:			
Answer			
	<input type="checkbox"/>	dozens fewer.	
	<input type="checkbox"/>	insignificant.	
	<input checked="" type="checkbox"/>	many times more.	
	<input type="checkbox"/>	a thousand times more.	
			Add Question Here
Question 11	Multiple Choice	0 points	Modify Remove
Question Exchange rates exhibit:			
Answer			
	<input type="checkbox"/>	steady behavior across the board.	
	<input type="checkbox"/>	erratic behavior across the board.	
	<input checked="" type="checkbox"/>	very different behavior depending on whether the rates are fixed or floating.	
	<input type="checkbox"/>	variable behavior (sometimes steady and other times erratic) depending on the business cycle.	
			Add Question Here
Question 12	Multiple Choice	0 points	Modify Remove
Question In general, economists divide the world into two types of exchange rate systems:			
Answer			
	<input type="checkbox"/>	long run and short run.	
	<input checked="" type="checkbox"/>	fixed and floating.	
	<input type="checkbox"/>	liberal and conservative.	
	<input type="checkbox"/>	speculative and risk averse.	
			Add Question Here
Question 13	Multiple Choice	0 points	Modify Remove
Question Which best describes the dollar–yuan exchange rate over time?			
Answer			
	<input type="checkbox"/>	volatile	
	<input checked="" type="checkbox"/>	steady	
	<input type="checkbox"/>	gradually rising	
	<input type="checkbox"/>	gradually declining	
			Add Question Here
Question 14	Multiple Choice	0 points	Modify Remove
Question The exchange rate between the U.S. dollar and the Chinese yuan:			
Answer			
	<input type="checkbox"/>	resulted in a rise in Chinese buying power.	
	<input checked="" type="checkbox"/>	experienced a one-time 15 percent drop after the global financial crisis.	
	<input type="checkbox"/>	has created a situation in which China is able to get cheap products from the United States.	
	<input type="checkbox"/>	has been unchanged since July, 2005.	
			Add Question Here
Question 15	Multiple Choice	0 points	Modify Remove
Question In June of 2010, the Chinese government:			
Answer			
	<input type="checkbox"/>	cracked down on illegal currency trading.	
	<input type="checkbox"/>	reduced the value of the yuan in terms of the U.S. dollar.	
	<input checked="" type="checkbox"/>	allowed a gradual appreciation in the value of the yuan in terms of the U.S. dollar.	
	<input type="checkbox"/>	allowed the yuan to fluctuate freely according to the market.	
			Add Question Here
Question 16	Multiple Choice	0 points	Modify Remove

Question

Based on observable fluctuations over time, the Chinese yuan–U.S. dollar exchange rate is considered:

- Answer**
- floating.
 - fixed.
 - set by the U.S. Treasury.
 - set by the International Monetary Fund.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 17 **Multiple Choice** **0 points**

Question

When an exchange rate is said to be fixed, it:

- Answer**
- does not vary much.
 - can vary a lot.
 - does not vary at all.
 - is volatile.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 18 **Multiple Choice** **0 points**

Question

Compared to the dollar–yuan exchange rate, the dollar–euro exchange rate is best described as:

- Answer**
- volatile.
 - steady.
 - gradually falling.
 - gradually rising.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 19 **Multiple Choice** **0 points**

Question

Compared to the U.S. dollar–euro, the U.S. dollar–yuan exchange rate has exhibited:

- Answer**
- extreme fluctuation.
 - much less fluctuation.
 - a constant value.
 - complete control by the World Bank.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 20 **Multiple Choice** **0 points**

Question

Compared to the U.S. dollar–yuan, the average fluctuation in the U.S. dollar–euro exchange rate is:

- Answer**
- 10 times as large.
 - about the same.
 - somewhat smaller.
 - 10 times less.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 21 **Multiple Choice** **0 points**

Question

Exchange rates are important because:

- Answer**
- they affect the affordability of imports.
 - they make exports either more or less expensive for foreign buyers.
 - they affect the value of foreign assets and their returns.
 - they affect the affordability of imports, they make exports either more or less expensive for foreign buyers, and they affect the value of foreign assets and their returns.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 22 **Multiple Choice** **0 points**

Question

A good's relative price indicates:

- Answer**
- its value only in its own nation.
 - its value compared to the same good sold in another nation expressed in a common currency.
 - its exchange value only.
 - its net value after taxes and depreciation.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 23 **Multiple Choice** **0 points**

Question

In the mid-2000s, a European automaker blamed its decline in U.S. sales on:

- Answer**
- the fall of the euro in terms of the U.S. dollar.
 - the rise of the euro in terms of the U.S. dollar.
 - U.S. tariffs that made the autos more expensive.
 - the U.S. recession.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 24 **Multiple Choice** **0 points**

Question

When the exchange value of the euro rises in terms of the U.S. dollar, U.S. residents find that European imports are:

- Answer**
- cheaper.
 - more expensive.
 - oversupplied to the United States.
 - more heavily taxed by the U.S. government.

[◀ Add Question Here](#)

Question 25 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

European residents who hold U.S. dollar assets experience a ____ in their value when the dollar exchanges for fewer units of foreign currency.

- Answer**
- rise
 - decline
 - stagnation
 - rise in instability

[◀ Add Question Here](#)

Question 26 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If in January 2007, \$1 = 110 yen, and in July 2007 \$1 = 90 yen, then a Harley Davidson motorcycle that cost \$8000 in January would now cost _____ in Japan in July.

- Answer**
- 180,000 yen
 - 880,000 yen
 - 720,000 yen
 - 890,000 yen

[◀ Add Question Here](#)

Question 27 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If you have a \$100 million in assets in Germany in 2006 (when the exchange rate was \$1 = 1 euro) and in 2007 the exchange rate was \$1 = 0.75 euro, this would mean your assets in Germany are:

- Answer**
- lower by 75 million euro.
 - higher by 75 million euro.
 - worth \$133.33 million.
 - worth less than in 2006.

[◀ Add Question Here](#)

Question 28 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Exchange rate crises typically:

- Answer**
- are extremely rare.
 - are related to political crises.
 - occur in every nation several times each year.
 - are fairly common.

[◀ Add Question Here](#)

Question 29 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A nation (featured in the text) that recently experienced a severe drop in the value of its currency is:

- Answer**
- New Zealand.
 - Zimbabwe.
 - Argentina.
 - Canada.

[◀ Add Question Here](#)

Question 30 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Argentina's currency crisis, which began in 2002, is blamed for:

- Answer**
- the lack of literacy and moral corruption.
 - extreme poverty, high unemployment, and social unrest.
 - disturbing the international trade balance.
 - its subsequent high debts.

[◀ Add Question Here](#)

Question 31 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In the 12-year period from 1997 to 2009, there were ____ instances of exchange rate crises worldwide.

- Answer**
- 3
 - 10
 - 16
 - 24

[◀ Add Question Here](#)

Question 32 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following did not have an exchange rate crisis during the past century?

- Answer**
- China
 - Korea
 - Argentina
 - Russia

[◀ Add Question Here](#)

Question 33 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A severe drop in the value of a nation's currency usually results in:

- Answer**
- high inflation.
 - high unemployment.
 - inability to pay foreign debts.
 - high inflation, high unemployment, and the inability to pay foreign debts.

[◀ Add Question Here](#)

Question 34 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Compared to earlier decades, the prevalence of exchange rate crises during the turn of the century (1997–2002) was:

- Answer**
- much less severe compared to the 1970s with its high inflation and high unemployment.
 - much more severe in rapidly developing economies such as in South America and East Asia.
 - very typical of modern economic history, indicating a need for international cooperation.
 - much reduced as a result of the swift and effective response by the International Monetary Fund.

[◀ Add Question Here](#)

Question 35 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The fallout from an international currency crisis episode:

- Answer** has major and lasting effects on trading partners, on financial relationships, and on financial and political institutions.
- usually follows a pattern of brief turmoil followed by periods of relative stability.
 - is instrumental in getting needed debt relief for poor nations.
 - is seen in permanent changes in the ways nations handle their international transactions.

[◀ Add Question Here](#)

Question 36 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Nations experiencing currency and financial crises suffer from:

- Answer**
- debt defaults.
 - banking problems.
 - government financial problems.
 - all of the above.

[◀ Add Question Here](#)

Question 37 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The International Monetary Fund is an example of:

- Answer**
- a credit union.
 - a multinational bank.
 - an international development organization.
 - a bond-rating firm.

[◀ Add Question Here](#)

Question 38 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In Argentina, when the exchange rate was floated in 2002, all of the following took place *except*:

- Answer**
- a sharp decline in the exchange rate of the peso.
 - a sharp increase in the level of poverty.
 - a sharp increase in inflation.
 - a sharp decline in unemployment rates.

[◀ Add Question Here](#)

Question 39 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Following its 2001 currency crisis, Argentina's unemployment:

- Answer**
- fell back to the pre-2001 level.
 - was lower than during the crisis but higher than before.
 - was at an all-time high.
 - was unresponsive to the crisis.

[◀ Add Question Here](#)

Question 40 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Globalization of financial markets provides benefits to nations but also carries risk to international stability due to:

- Answer** ✓ unmanageable debt and subsequent defaults.
 political infighting as to whose currency will be the world leader.
 military conflict over control of vital assets.
 accumulation of wealth.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 41 **Multiple Choice** **0 points**

Question

Which of the following are financial instruments?

- Answer** savings accounts
 credit cards
 mortgages
 ✓ savings accounts, credit cards, and mortgages

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 42 **Multiple Choice** **0 points**

Question

A nation's current account is:

- Answer** its current budget deficit.
 the previous year's budget deficit.
 ✓ an accounting of a nation's income, expenditure, deficit, and surplus during a time period.
 the difference between its total wealth and its total debt.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 43 **Multiple Choice** **0 points**

Question

Whenever income is less than expenditure for a period of time, a nation will experience:

- Answer** ✓ a deficit in its current account.
 a surplus in its current account.
 an increase in GDP since firms' sales will rise.
 a rise in national wealth.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 44 **Multiple Choice** **0 points**

Question

In 2009, the country with the largest trade deficit was _____.

- Answer** China
 the Eurozone
 ✓ the United States
 Japan

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 45 **Multiple Choice** **0 points**

Question

Which of the following situations would not be compatible with the others?

- Answer** a deficit in the current account
 expenditure being greater than income (production) in a nation
 ✓ a rise in national wealth
 new borrowing from the rest of the world

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 46 **Multiple Choice** **0 points**

Question

The definition of total external net wealth is:

- Answer** the value of buildings, bank deposits, and monetary gold.
 ✓ the value of a nation's foreign assets minus the value of a nation's foreign liabilities.
 the value of stocks sold daily on international exchanges.
 minerals and oil reserves owned by a nation but located in another nation.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 47 **Multiple Choice** **0 points**

Question

External wealth can increase by all of the following *except*:

- Answer** rises in the value of international assets (capital gains).
 a decrease in the value of liabilities to international entities.
 ✓ borrowing from international entities.
 lending to international entities.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 48 **Multiple Choice** **0 points**

Question

If a nation is a net creditor internationally, it means that:

- Answer** ✓ residents of the nation have more foreign assets than foreign liabilities.
 the nation is running low on international assets.
 residents of the nation have more foreign liabilities than foreign assets.

the nation's government has extended credit to other nations' governments.

[◀ Add Question Here](#)

Question 49 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A nation's net creditor position indicates that it:

- Answer**
- has collected more in taxes than its government has spent.
 - owes money to other foreign and international government agencies.
 - ✓ has positive net external wealth.
 - has negative net external wealth.

[◀ Add Question Here](#)

Question 50 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A nation's external wealth can be affected by:

- Answer**
- the difference between international spending and income from the rest of the world.
 - changes in currency values.
 - capital gains and losses on equities and real estate.
 - ✓ the difference between international spending and income from the rest of the world, changes in currency values, and capital gains and losses on equities and real estate.

[◀ Add Question Here](#)

Question 51 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A country's external wealth is equal to:

- Answer**
- its exports minus imports.
 - its overall debt.
 - ✓ its foreign assets minus its foreign liabilities.
 - the amount foreigners have invested in the United States.

[◀ Add Question Here](#)

Question 52 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose that a loan made in euros has experienced a capital gain. This indicates that:

- Answer**
- the dollar appreciated.
 - ✓ the dollar depreciated.
 - the euro depreciated.
 - the dollar experienced a capital loss.

[◀ Add Question Here](#)

Question 53 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When a country makes a loan in its own currency and its currency depreciates, it experiences:

- Answer**
- a capital gain.
 - a capital loss.
 - a capital depreciation.
 - ✓ None of the answer choices are correct.

[◀ Add Question Here](#)

Question 54 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

For an individual, when his or her income is smaller than his or her expenditure, the wrong option is to:

- Answer**
- borrow money.
 - draw down his or her savings.
 - ✓ print his or her own money.
 - take another job to increase his or her income.

[◀ Add Question Here](#)

Question 55 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A nation with a relatively high country risk factor would most likely:

- Answer**
- have unstable exports.
 - have high levels of external debt.
 - have excessive levels of spending compared to its income.
 - ✓ have all of the above.

[◀ Add Question Here](#)

Question 56 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

International lenders want to know the likelihood a nation will repay its debt. Therefore they rely on:

- Answer**
- collateral.
 - ✓ international ratings of country risk.
 - the faith and credit of the sovereign nation.
 - advice from the International Monetary Fund (IMF).

[◀ Add Question Here](#)

Question 57	Multiple Choice	0 points	Modify Remove
Question			
To analyze whether an international private or sovereign borrower will repay a loan, creditors resort to:			
Answer			
<ul style="list-style-type: none"> collateral requirements for loans. International Monetary Fund expertise. ✓ international credit rating agencies that operate much like they do in sophisticated financial markets. incentives to repay, such as threats of foreclosure, force, or economic sanctions for delinquent borrowers. 			
Add Question Here			
Question 58	Multiple Choice	0 points	Modify Remove
Question			
What is country risk?			
Answer			
<ul style="list-style-type: none"> the risk that the nation will suffer unemployment and inflation as a result of its economic policies ✓ a number of economic indicators reflecting the economic health of the nation that affect the ability of its residents to repay loans the relative risk of political instability, terrorist attacks, and military capability the total of the government's national debt plus private debt owed to international creditors 			
Add Question Here			
Question 59	Multiple Choice	0 points	Modify Remove
Question			
Emerging market countries are:			
Answer			
<ul style="list-style-type: none"> countries with high levels of income per person that are well integrated into the global economy. ✓ mainly countries that are growing and becoming more integrated into the global economy. mainly countries that are not yet well integrated into the global economy that are not democratic. countries with low levels of income per person 			
Add Question Here			
Question 60	Multiple Choice	0 points	Modify Remove
Question			
Which of the following ratings is most favorable?			
Answer			
<ul style="list-style-type: none"> ✓ BBB+ BBB- CC D 			
Add Question Here			
Question 61	Multiple Choice	0 points	Modify Remove
Question			
A credit rating of A means:			
Answer			
<ul style="list-style-type: none"> ✓ easy access to low-interest loans. more limited credit and possibly punitive interest rates. higher interest rates. you can set your own interest rates. 			
Add Question Here			
Question 62	Multiple Choice	0 points	Modify Remove
Question			
What remedy does an international lender have against a foreign borrower who defaults?			
Answer			
<ul style="list-style-type: none"> It can foreclose on the collateral and sell it. It can sue the borrower in the international credit court. The national government will always pay up and make the loan good. ✓ Usually, there is no remedy. 			
Add Question Here			
Question 63	Multiple Choice	0 points	Modify Remove
Question			
What is the difference between an open economy and a closed economy?			
Answer			
<ul style="list-style-type: none"> A closed economy has sealed borders and allows no tourism or migration. ✓ An open economy has very few restrictions on trade or financial flows. A closed economy has very tough wage and hour laws and will not tolerate labor unions. An open economy has lax restrictions on drugs or other illegal activities. 			
Add Question Here			
Question 64	Multiple Choice	0 points	Modify Remove
Question			
Governments affect international financial relationships through their policies. These might include:			
Answer			
<ul style="list-style-type: none"> border controls regulating goods coming into or leaving the nation. ✓ laws or regulations affecting investment, reserves, or credit. larger sets of rules that define a general context to which specific laws or regulations conform. very broad legal, social, political, and commercial structures that influence economic behavior. 			
Add Question Here			
Question 65	Multiple Choice	0 points	Modify Remove

Question

Governments affect international financial relationships through their policy regimes. These might include:

- Answer**
- economic philosophies like liberalism and Marxism.
 - laws or regulations affecting investment, reserves, or credit.
 - ✓ larger sets of rules that define a general context to which specific laws or regulations conform.
 - very broad legal, social, political, and commercial structures that influence economic behavior.

◀ [Add Question Here](#)

Question 66 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Governments affect international financial relationships through their institutions. These might include:

- Answer**
- border controls regulating goods coming into or leaving from the nation.
 - laws or regulations affecting investment, reserves, or credit.
 - larger sets of rules that define a general context to which specific laws or regulations conform.
 - ✓ very broad legal, social, political, and commercial structures that influence economic behavior.

◀ [Add Question Here](#)

Question 67 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

One indicator of international financial openness in advanced countries is that:

- Answer**
- defaults by borrowers have decreased significantly.
 - ✓ cross-border financial transactions in advanced nations have increased tenfold.
 - restrictions on mortgage lending or bank capital requirements have decreased.
 - governments no longer try to control interest rates.

◀ [Add Question Here](#)

Question 68 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Since 1970, worldwide, governments have:

- Answer**
- discouraged trade and raised levels of protection for workers.
 - discouraged international investment to favor domestic financial markets.
 - rejected globalization because it makes a nation more vulnerable.
 - ✓ lifted barriers to international capital movements and trade.

◀ [Add Question Here](#)

Question 69 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In general, we can classify nations into three categories depending on the level of economic advancement. These are:

- Answer**
- ✓ advanced, emerging, and developing.
 - high-achievers, low-achievers, and infant industry nations.
 - fast-track developers, medium development nations, and slow developers.
 - fully integrated, moderately integrated, and closed.

◀ [Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The advanced nations:

- Answer**
- were least open to globalization and free movement of capital.
 - ✓ led the movement toward globalization and openness during the 1980s.
 - had to compete with the developing nations and finally learned that financial openness was beneficial to their economies.
 - were not as open to globalization as the emerging markets.

◀ [Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A consequence of the world movement toward financial integration and openness is:

- Answer**
- vulnerability and economic decline in many poor nations.
 - ✓ financial interdependence coupled with an tenfold increase in the volume of foreign assets.
 - a retreat toward safety and heavier regulation of financial flows.
 - dominance by the United States as being the only destination for investment funds.

◀ [Add Question Here](#)

Question 72 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following would count as an emerging market?

- Answer**
- Canada
 - ✓ Poland
 - Ireland
 - Bangladesh

◀ [Add Question Here](#)

Question 73 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following would count as a developing country?

- Answer**
- Mexico
 - Italy
 - ✓ Guatemala
 - Germany

◀ [Add Question Here](#)

Question 74 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The list of developed countries includes:

- Answer** ✓ South Korea
Panama.
Estonia.
South Korea and Panama.

◀ [Add Question Here](#)

Question 75 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Nations are free to choose and use their own currency and control its value. Normally, they must choose between _____ regime.

- Answer** ✓ a fixed or floating exchange rate
a variable or stable exchange rate
a controlled or laissez-faire
a centrally planned or market-based

◀ [Add Question Here](#)

Question 76 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What is the Eurozone?

- Answer** a common European defense system supplemented by radar and strategic monitoring systems
a trade agreement among the nations of Europe not to impose tariffs on each other
✓ a group of European nations who have adopted a common currency
regions of the world that allow traders to make bank deposits in euros

◀ [Add Question Here](#)

Question 77 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The idea of dollarization is:

- Answer** the use of domestic currency in a variable proportion with neighboring countries' currency.
the use of the U.S. dollar for paying the native country's debt.
✓ a nation's use of a foreign currency over which it has no policy control.
the use of domestic currency in countries in Europe that are not part of the European Union

◀ [Add Question Here](#)

Question 78 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Economic institutions are important in helping to govern and determine economic outcomes. Which of the following would NOT be an example of an economic institution?

- Answer** the existence of various regulatory agencies, such as the Securities and Exchange Commission, that affect the integrity of the investment community
✓ First National Bank of Chicago
the tendency of the public to deposit funds in banks and financial institutions, which are considered safe, rather than purchasing gold or jewelry
disclosure provisions in investment contracts

◀ [Add Question Here](#)

Question 79 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Poor governance often results in:

- Answer** insurgency and chaos.
✓ more poverty and macroeconomic shocks.
less equality but more efficiency.
the rich putting their money in overseas banks.

◀ [Add Question Here](#)

Question 80 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The great divergence refers to:

- Answer** the widening U.S. trade deficit.
the growing gap between rich and poor workers.
the growing Chinese trade surplus.
✓ the widening U.S. trade deficit, the growing gap between rich and poor workers, and the growing Chinese trade surplus.

◀ [Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The income gap between rich and poor nations has grown over the last two decades and is the largest in history. The gap between the richest and the poorest is:

- Answer**
- double.
 - triple.
 - ten times.
 - ✓ fifty times.

◀ [Add Question Here](#)

Question 82

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

Policies that work well in stable, well-governed nations:

- Answer** ✓
- may not work well in poor nations if they lack stability and good governance.
 - should be looked at as an alternate policy regime for poor nations.
 - often do not represent the best policies for other rich nations.
 - tend to be less desirable during election years or in times of political upheaval.

◀ [Add Question Here](#)

Question 83

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

Economists say that the relationship between workable institutions and good economic results is:

- Answer** ✓
- good institutions are essential to good economic outcomes.
 - good economic outcomes enable a society to build good institutions.
 - good institutions are not necessary for good government and good economic outcomes.
 - good economic results are usually based on access to essential natural resources and a competent labor force—not societal institutions.

◀ [Add Question Here](#)

Question 84

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

Optimal policies and policy regimes generally:

- Answer**
- require standard approaches.
 - ✓ require different approaches in rich and poor countries.
 - have similar results in both rich and poor countries.
 - require the government to be authoritarian.

◀ [Add Question Here](#)

Question 85

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

Countries with good institutions have:

- Answer** ✓
- higher per capita income.
 - greater income volatility.
 - higher per capita income and greater income volatility.
 - lower per capita income.

◀ [Add Question Here](#)

Question 86

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

The main lessons of the study of international finance are:

- Answer**
- that policy makers often face trade-offs.
 - that policy makers have to formulate sensible goals that are practical in the situation.
 - that a nation should become financially open but should at times exercise caution.
 - ✓ that policy makers often face trade-offs and have to formulate sensible goals that are practical in the situation, and that a nation should become financially open but should at times exercise caution.

◀ [Add Question Here](#)

Question 87

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

The article "Wealth of Nations," which summarizes an article from the World Bank, notes that for poor nations with rising populations such as India and China, the path to a rising standard of living:

- Answer** ✓
- is sustainable only through economic growth (increasing real GDP per capita).
 - cannot be sustained without great sacrifice by workers.
 - is always related to increasing exports to rich nations.
 - requires that government often look the other way when certain worker rights are violated.

◀ [Add Question Here](#)

Question 88

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

According to the article "Wealth of Nations," the most important obstacle faced by business firms in less stable economies is:

- Answer**
- untrained workers.
 - poor roads and communications.
 - ✓ corrupt and incompetent government.
 - chronic illness and poor sanitation.

◀ [Add Question Here](#)

Question 89

Multiple Choice**0 points**

[Modify](#)

[Remove](#)

Question

According to the article "Wealth of Nations," government failure, corruption, crime, and unreliable infrastructure can cost a firm:

- Answer**
- as much as 5% of sales.
 - half of its operating budget.
 - valuable employee resources.
 - ✓ as much as 25% of sales.

◀ [Add Question Here](#)

Question 90 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Problems in developing nations can involve:

- Answer** ✓
- governments with corrupt officials that increase the costs of starting and maintaining businesses.
 - too much emphasis on sound business practices and efficiency.
 - good institutions and reasonable taxes, which provide sufficient infrastructure for new business.
 - government that is too large to be effective.

◀ [Add Question Here](#)

Question 91 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Rent-seeking activities include:

- Answer**
- bribes.
 - lobbying.
 - favoritism.
 - ✓ bribes, lobbying, and favoritism.

◀ [Add Question Here](#)

Question 92 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Rank these regions in order of economic growth from fastest to slowest: Europe, South America, and Africa.

- Answer**
- Europe, Africa, South America
 - South America, Africa, Europe
 - ✓ Europe, South America, Africa
 - Africa, South America, Europe

◀ [Add Question Here](#)

Question 93 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the article "Wealth of Nations," which comments on a report from the World Bank, reform of economic institutions is necessary for developing nations. This involves:

- Answer**
- the details of a policy worked out in advance and implemented fairly quickly.
 - ✓ a process whereby policy can be fine-tuned and institutions can evolve.
 - crackdowns on government corruption and imprisoning dissidents.
 - higher taxes on the rich to fund an expansion in government oversight.

◀ [Add Question Here](#)

Question 94 **True/False** **0 points**

[Modify](#) [Remove](#)

Question

Floating is another word for pegged.

- Answer**
- True
 - ✓ False

◀ [Add Question Here](#)

Question 95 **True/False** **0 points**

[Modify](#) [Remove](#)

Question

Floating exchange rates are the same as flexible exchange rates.

- Answer**
- ✓ True
 - False

◀ [Add Question Here](#)

Question 96 **True/False** **0 points**

[Modify](#) [Remove](#)

Question

Economists divide the world into two groups of countries: those with fixed exchange rates and those with floating exchange rates.

- Answer**
- ✓ True
 - False

◀ [Add Question Here](#)

Question 97 **True/False** **0 points**

[Modify](#) [Remove](#)

Question

In general, the values of foreign currencies measured in other nations' currencies do not change much.

- Answer**
- True
 - ✓ False

◀ [Add Question Here](#)

Question 98 **True/False** **0 points**

[Modify](#) [Remove](#)

Question

The U.S. dollar–euro exchange rate is fixed.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 99

True/False**0 points****Question**

When looking at the domestic economy, changes in exchange rates do not have much effect on domestic prices, incomes, or trade.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 100

True/False**0 points****Question**

A currency crisis does not affect multinational corporations because they are able to move assets in and out of nations.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 101

True/False**0 points****Question**

Argentina's currency crisis followed a period in which it tried to maintain its currency at an unsustainable level.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 102

True/False**0 points****Question**

Nations experiencing currency and financial crises often turn to international organizations such as NATO, the World Trade Organization, or the European Central Bank for help.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 103

True/False**0 points****Question**

The currency crisis in Argentina caused the government to be stable, with strong leadership.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 104

True/False**0 points****Question**

Whenever a nation runs a current account deficit, its net wealth (assets minus liabilities) decreases.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 105

True/False**0 points****Question**

It is possible for all countries in the world to run a current account deficit today.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 106

True/False**0 points****Question**

The United States has never had a current account deficit.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 107

True/False**0 points****Question**

Persistent current account deficits over the past 30 years have transformed the United States from the world's largest creditor to the world's second-largest creditor.

Answer

True
 False

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 108

True/False**0 points****Question**

A nation's wealth is not affected by its currency value or the value of its international assets.

Answer

True
 False

Question 109	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Private credit rating agencies do not evaluate nations, only business firms operating in those nations.</p> <p>Answer True ✓ False</p>			
Question 110	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question A nation's credit rating may be adversely affected by political corruption or domestic upheaval.</p> <p>Answer ✓ True False</p>			
Question 111	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Nations whose credit ratings are lower pay higher rates of interest for loans from international lenders.</p> <p>Answer ✓ True False</p>			
Question 112	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question International creditors are at great risk of default from international borrowers because of the absence of an international regulatory or judicial body.</p> <p>Answer ✓ True False</p>			
Question 113	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Defaults by countries are very rare in practice.</p> <p>Answer True ✓ False</p>			
Question 114	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question The United States is one of the most financially open nations with full access to global capital markets.</p> <p>Answer ✓ True False</p>			
Question 115	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Economic policy is concerned with domestic issues and does not affect international trade or financial flows.</p> <p>Answer True ✓ False</p>			
Question 116	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Research shows that governance has a major effect on the efficacy of a nation's financial system.</p> <p>Answer ✓ True False</p>			
Question 117	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Institutions would encompass the legal system, the education system, the banking and financial system, and environmental regulations.</p> <p>Answer ✓ True False</p>			
Question 118	True/False	0 points	◀ Add Question Here Modify Remove
<p>Question Poor governance is correlated with poverty, lower than average GDP, and instability.</p> <p>Answer ✓ True False</p>			
Question 119	True/False	0 points	◀ Add Question Here Modify Remove

Question

The great divergence refers to the increasing disparity between rich and poor countries.

Answer

✓ True
False

◀ [Add Question Here](#)

Question 120 **True/False** **0 points**

[Modify](#) | [Remove](#)

Question

History plays no role in the current income gap between rich and poor countries.

Answer

True
✓ False

◀ [Add Question Here](#)

Question 121 **True/False** **0 points**

[Modify](#) | [Remove](#)

Question

Better institutions are often correlated with more income volatility.

Answer

True
✓ False

◀ [Add Question Here](#)

Question 122 **True/False** **0 points**

[Modify](#) | [Remove](#)

Question

Better institutions are correlated with more stability in incomes among the world's nations.

Answer

✓ True
False

◀ [Add Question Here](#)

Question 123 **True/False** **0 points**

[Modify](#) | [Remove](#)

Question

It takes more time to register a start-up firm in Australia than in Haiti.

Answer

True
✓ False

◀ [Add Question Here](#)

Question 124 **True/False** **0 points**

[Modify](#) | [Remove](#)

Question

Improvements in the Chinese standard of living are at least in part a result of relaxed enforcement of contracts.

Answer

True
✓ False

◀ [Add Question Here](#)

Question 125 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question

Why did Volkswagen blame the weak dollar for its financial difficulties in 2003–2004?

Answer The weak dollar reduced the euro value of its sales as the euro value of its costs remained constant. Thus, profits fell.

◀ [Add Question Here](#)

Question 126 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question

What are the differences between a policy, a regime, and an institution?

Answer A policy is a specific government choice. A regime is the set of rules that choice is made under. An institution is the broad legal, political, and social structures that drive behavior and give rise to the regime.

◀ [Add Question Here](#)

Question 127 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question

"Governance" is an important element in economic success and prosperity for any nation. List at least four of the six dimensions presented in the text that are highly correlated with good economic outcomes.

Answer The textbook identifies six dimensions: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.

◀ [Add Question Here](#)

Question 128 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question

The study of international macroeconomics will enable students to understand important issues and identify good solutions to problems and tensions. Name several items in the study of international macroeconomics, an understanding of which can help clarify and instruct policy and governance.

Answer Students may identify several of the following: currencies, exchange rates, trade balances, capital flows, financial imbalances, investment, international interest rates, international inflation rates, economic growth, and income.

◀ [Add Question Here](#)

Question 129 **Essay** **0 points**

[Modify](#) | [Remove](#)

Question

The article "Wealth of Nations," comments on a study from the 2005 World Development Report published by the World Bank: "In many developing countries, the requirement is not less government but more and better dedicated government." It lists four requirements to achieve this outcome. What are they? Explain each one.

- Answer**
1. There must be a reduction in rent seeking, which is behavior designed to affect government policy for private benefit, such as political influence, bribery, cronyism, and other similar activity. This behavior is extreme in many developing nations.
 2. There must be credibility in the making and execution of policy. In certain situations, enforcement of policies is difficult because many residents simply ignore them.
 3. Public trust in the government and its legitimacy must be fostered.
 4. Policy responses must be tailored to practicality and what will work in local conditions.

[◀ Add Question Here](#)Question 130 **Essay****0 points**[Modify](#) | [Remove](#)**Question**

According to the article "Wealth of Nations," which comments on a report from the World Bank, turning broad objectives into specific policy is "tricky." The Bank recommends "delivering the basics." List and discuss these basics.

Answer A nation seeking to grow should attempt to establish stability and security, which includes protection of property, facilitating contract enforcement, curbing crime, and compensating for expropriation, ensuring better regulation and taxation, broadening the tax base and lowering tax rates, reducing barriers to trade, creating better finance and infrastructure, encouraging more competition, providing better labor market regulation, encouraging worker skills development, avoiding counterproductive government intervention, and promoting policies encouraging employment in the formal sector.

[◀ Add Question Here](#)

OK