

## Chapter 9: Fundamentals of International Political Economy

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### MULTIPLE CHOICE

- International political economy can be defined as
  - the international organizations such as the International Monetary Fund and the World Bank that direct international investments
  - the comparative advantage industrialized nations have over agriculturally-based nations
  - the mutual relationship between the international and national economy
  - the domestic fiscal and monetary policies developed by sovereign states
- The rise in the amount of cross-border movement of goods, money, people, and ideas is known as
  - globalization
  - international political economy
  - comparative advantage
  - balance of trade
- The theory of comparative advantage illustrates that specialization can lead to
  - a rise in poverty among many groups of people
  - an increase in overall consumption and efficiency
  - greater equality among all people
  - the rise of powerful international organizations
- By implementing policies called for by the theory of comparative advantage, what is meant to happen between the two countries?
  - one country is able to out produce and sell more than the other country
  - production increases in one country while consumption decreases in the other
  - consumption drops in both countries while production remains constant
  - consumption increases in both countries
- Profitable trade between countries is based on
  - relative cost of transportation
  - comparative consumption
  - currency exchange
  - differences in relative prices
- The theory of comparative advantage has been closely associated with which theory of international relations?
  - Realism
  - Economic structuralism
  - Liberalism
  - Feminism
- Liberalism and comparative advantage are closely associated because both argue that
  - while some states may gain, other states stand to lose
  - when states cooperate, both can benefit simultaneously
  - mutual benefits are very difficult to achieve
  - conflict eventually results from direct competition

8. In contrast to the liberal emphasis on cooperation, realism highlights the situation in which one side can gain only at the expense of another. This relationship is called
- a. rational action
  - b. comparative advantage
  - c. zero-sum game
  - d. positive-sum game
9. In economic terms, the balance of trade is
- a. total exports plus total imports
  - b. total imports minus total exports
  - c. total imports plus total exports
  - d. total exports minus total imports
10. Fair trade advocates are at times against a trade surplus because
- a. it represents cheating on free trade rules
  - b. it is unfair to countries that have a trade deficit
  - c. only the US has been able to have a trade surplus
  - d. a surplus simply reflects the power of a country
11. The relative value of a national currency to another currency is known as
- a. balance of trade
  - b. devaluation
  - c. exchange rates
  - d. strong currency
12. A currency that is relatively expensive for others to buy and in which other currencies are relatively cheap in terms of that currency is known as a
- a. weak currency
  - b. strong currency
  - c. mixed currency
  - d. fluctuating currency
13. When the dollar decreases in value against the Euro, one result is that the price of goods from Europe
- a. will be less expensive for American consumers
  - b. will not change much
  - c. will be more expensive for American consumers
  - d. will be more expensive for some imports and less for others
14. What kind of a foreign exchange condition occurs when the domestic producer benefits, but the foreign exporter is hurt?
- a. a strong currency
  - b. a weak currency
  - c. a fluctuating currency
  - d. a mixed currency
15. One effect domestically of a weak currency is
- a. consumers will purchase fewer foreign goods and more domestic goods
  - b. the price of domestically priced goods will increase and consumers will purchase more foreign goods
  - c. foreign producers will flood the domestic market with goods
  - d. overall trade will decline as consumers decrease both domestic and foreign purchases
16. The fundamental goal of protectionism is to

- a. protect domestic producers against competition from foreign firms
  - b. bring about a balance of trade deficit
  - c. weaken the national currency
  - d. promote greater integration into the global economy
17. All but one of the following measures secure the goals of protectionism. Which one does not do this?
- a. Quota
  - b. Tariffs
  - c. Export processing zones
  - d. Subsidies
18. A subsidy is a
- a. limit on the number of goods that are imported
  - b. tax on imports
  - c. direct payments to producers to help them remain profitable
  - d. foreign aid directed to developing countries
19. Tariffs may accomplish the goals of protectionism by
- a. placing a numerical limit on the number of imported goods
  - b. providing direct payments to domestic producers
  - c. negotiating a voluntary export restriction with a country's trading partner
  - d. imposing taxes on foreign imports
20. When the European Union places restrictions on genetically modified crops because of the EU's concern for health, the US government considers this policy as a form of
- a. fair trade
  - b. free trade
  - c. protectionism
  - d. competitive devaluation
21. For liberals, the root cause of poverty is a result of
- a. too much free trade
  - b. not enough free trade
  - c. a heavy reliance on fair trade
  - d. the extension of economic globalization
22. Unlike liberals who focus on the benefits of trade, economic structuralists emphasize the
- a. costs of trade
  - b. distribution of the gains of trade
  - c. power balance that results from trade
  - d. levels of protectionism
23. Neo-mercantilism includes all but one of the following principles. Which one is not correct?
- a. Focus on state goals
  - b. Concern with the distribution of the gains from trade
  - c. Focus on the benefits of trade
  - d. Emphasis on the conflictual nature of trade
24. Although realists and economic structuralists do agree with parts of the liberal analysis, they tend to focus more on
- a. the impact of trade on currency exchange
  - b. the role of the WTO and the IMF on trade

- c. the gains in efficiency produced by trade
  - d. the distribution of the gains of trade
25. Realists criticize the liberal view on international trade by asserting that if a state becomes too dependent on other states, that state will
- a. no longer be self-sufficient
  - b. end up with a balance of trade surplus
  - c. become economically poorer
  - d. become less economically efficient
26. The doctrine of focusing trade policy on the balance of trade is known as
- a. Fair trade
  - b. Free trade
  - c. Neo-mercantilism
  - d. Comparative advantage
27. For realists, the problem of relative gains refers to the situation in which
- a. even if both sides gain, the side that gains more may increase its power over the side that gains less
  - b. both sides may gain which would lead to a mutual increase in state power
  - c. both sides are negatively affected by trade and in a position to lose power
  - d. the efficiency of trade benefits becomes more important than the distribution of benefits
28. Economic structuralists examine international trade from the perspective of the distribution of benefits on
- a. the state
  - b. classes
  - c. the individual
  - d. women
29. In terms of international trade, economic structuralists and realists share this common concern.
- a. the creation of wealth for all actors
  - b. the absolute improvement in living conditions in countries that receive benefits from international trade
  - c. the way in which power determines how the gains from trade are divided
  - d. the eventual growth and development of third world countries
30. The example of poor working conditions in third world factories that manufacture goods for first world consumers is a point made most forcefully by which theoretical perspective?
- a. Realists
  - b. Liberals
  - c. Constructivists
  - d. Economic Structuralists
31. Economic structuralists point to the case of child labor to suggest that
- a. economic desperation makes it rational for children to take low paying jobs
  - b. the establishment of a minimum wage in developing countries protects children from being exploited
  - c. globalization will eventually help all those who engage in the global economy
  - d. over time children will no longer need to work in low paying positions

32. In contrast to the liberal view in which economic inequalities between wealthy and poor states will lessen over time, economic structuralists argue that
- the gap in wealth will increase until there is a rise in trade and then the gap will decrease
  - this inequality is a result of the balance of power
  - this economic disparity will widen over time
  - the gap in wealth is only temporary
33. Which theory makes the argument that economic disparities, once established, will be self-perpetuating?
- Mercantilism
  - Liberalism
  - Feminism
  - Economic Structuralism
34. A key difference between the constructivist approach to international political economy and that of the other theories is its assumption that
- power remains central to an understanding of the global economy
  - states' goals and policies continuously change
  - economic growth and development will be achieved over time
  - individuals are still able to improve their economic position
35. With the realist focus on the state, the liberal focus on the individual, the economic structuralist focus on class, feminists assert that
- women should be incorporated as individuals into the liberal perspective
  - only a class-based argument can most effectively understand the issues of gender
  - both men and women together should be the focus of study
  - women have been purposively excluded due to the artificial analytical distinction between "public" and "private"
36. According to the feminist approach, the informal work by women in housework and raising children,
- has been undervalued and ignored by the traditional theories of international political economy
  - has been included by some of the traditional theories
  - is not of sufficient importance to merit a significant inclusion in IPE theories
  - should be given a monetary value
37. An important feminist critique against liberal theory is the
- overemphasis of the role of the state
  - undervalue of the full costs of trade by neglecting the value of women's informal work
  - hesitation to consider the greater benefits from liberal trade
  - strong agreement liberals have with the economic arguments of constructivism
38. The United Nations Development Program has found that when women are educated and earn income
- they are more likely to be exploited
  - their children are more likely to have a higher life expectancy

- c. they are less likely to participate in the labor market
  - d. gender inequities widen or increase
39. The business practice of providing access of small amounts of money to women is called
- a. international borrowing
  - b. microlending
  - c. creative financing
  - d. small business loans
40. Women generally have higher rates of loan repayment than men because
- a. men are not as responsible as men
  - b. men make financially risky investment decisions
  - c. women work within cooperative groups which places pressure on their members
  - d. women make wiser investment decisions
41. Which theory asks the question: how does international trade contribute to poverty?
- a. liberalism
  - b. realism
  - c. economic structuralism
  - d. constructivism
42. Economic structuralism and liberalism agree that
- a. free markets, if left to themselves, reduce economic inequalities
  - b. international trade is a zero-sum game
  - c. substate actors such as corporations and economic classes are the important actors
  - d. distributive issues related to trade are a major issue

## ESSAY

1. The Theory of Comparative Advantage has been an important concept in international politics for several centuries. What is the basic argument of this theory? What are its main assumptions? In what way does it explain the rise of efficiency between two countries?
2. In what way is the theory of comparative advantage associated with the liberal approach to international relations theory?
3. Exchange rates are critical to a country's economic position. Why do exchange rates matter? In what way do they affect a country's economy?
4. Discuss the various types of protectionist measures. Who ultimately benefits from these measures and who suffers the cost?
5. How do the main theories of international relations explain the level of world poverty?

6. What is the feminist critique of the traditional theories of international political economy?  
What does the feminist perspective argue about how women should be viewed as agents of development?