CHAPTER 10: Fundamentals of International Political Economy

1. China’s economy now ranks as what number in terms of size?
   a. First
   b. Second
   c. Third
   d. Fourth

2. China’s economy has grown by what factor each year since 1980?
   a. Three
   b. Five
   c. Seven
   d. Ten

3. Which of the following is NOT a real challenge for China in the future?
   a. A demographic crisis that will make it more difficult for workers to support retirees
   b. Sound investment policies that have taken a back seat to maintaining political stability
   c. Regional development disparities that have emerged between the east coast and the interior
   d. A healthy and growing upper class.

4. Which Chinese leader recognized that market forces were needed to foster economic growth in China?
   a. Mao Zedong
   b. Deng Xiaoping
   c. Chiang Kai-shek
   d. Sun Yat-sen

5. Why did global firms not reject China’s demand for investing in Chinese companies, so that China could move up the value chain?
   a. Because they wanted to avoid access to China’s sizeable market
   b. In order to take advantage of China’s cheap labor force
   c. So that China would buy billions of dollars’ worth of U.S. government bonds that fund the U.S. budget deficit
   d. So that China could continuing taking advantage of the currency market.

6. China has accumulated approximately how many U.S. dollars in its foreign currency reserves?
CHAPTER 10: Fundamentals of International Political Economy

7. International political economy can be defined as
   a. international organizations, such as the International Monetary Fund and the World Bank, that direct international investments.
   b. the comparative advantage industrialized nations have over agriculturally-based nations.
   c. the mutual relationship between international politics and international economy.
   d. the domestic fiscal and monetary policies developed by sovereign states.

8. The rise in the amount of cross-border movements of goods, money, people, and ideas is known as
   a. globalization.
   b. international political economy.
   c. comparative advantage.
   d. balance of trade.

9. The theory of comparative advantage illustrates that specialization can lead to
   a. a rise in poverty among many groups of people.
   b. an increase in overall consumption and efficiency.
   c. greater equality among all people.
   d. the rise of powerful international organizations.

10. Who developed the theory of comparative advantage?
    a. Harold Lasswell
    b. Ben Bernanke
    c. David Ricardo
    d. John Maynard Keynes

11. Which of the following countries is not one of the world’s largest oil exporters?
    a. Venezuela
b. Norway  
c. Russia  
d. Iran

12. Approximately what percentage of the clothing sold in the United States is manufactured elsewhere?
   a. 35 percent  
b. 50 percent  
c. 75 percent  
d. 98 percent

13. By implementing policies called for by the theory of comparative advantage, what is meant to happen between the two countries?
   a. One country is able to out produce and sell more than the other country  
b. Production increases in one country while consumption decreases in the other  
c. Consumption drops in both countries while production remains constant  
d. Consumption increases in both countries

14. The theory of comparative advantage has been closely associated with which theory of international relations?
   a. Realism  
b. economic structuralism  
c. Liberalism  
d. Feminism

15. Liberalism and comparative advantage are closely associated because both argue that
   a. while some states may gain, other states stand to lose.  
b. when states cooperate, both can benefit simultaneously.  
c. mutual benefits are very difficult to achieve.  
d. conflict eventually results from direct competition.

16. 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.
CHAPTER 10: Fundamentals of International Political Economy

b. comparative advantage.
c. zero-sum game.
d. positive-sum game.

17. 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.

18. When the trade balance is zero,
   a. it means that no foreign countries wish to purchase your exports.
   b. your country is exporting more than it is importing.
   c. the economy is importing exactly as much as it exports.
   d. countries that owe you money for your exports still need to pay up.

19. In a country with a trade deficit,
   a. there will be high unemployment and lower wages.
   b. there will be higher prices.
   c. the value of its currency will increase.
   d. there will be more choice in consumer goods.

20. In a country with a trade surplus,
   a. there will be higher prices.
   b. there will be lower prices.
   c. the economy will be damaged.
   d. there will be increased employment and higher wages.

21. A _________ is relatively expensive for others to buy, and other currencies are cheap in comparison to it.
   a. weak currency.
   b. strong currency.
   c. mixed currency.
CHAPTER 10: Fundamentals of International Political Economy

d. fluctuating currency.

22. 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.

23. Trade and interest rates both influence
   a. trade deficits.
   b. comparative advantage.
   c. exchange rates.
   d. subsidies.

24. An American manufacturer with American customers competing with imported goods will benefit from
   a. a strong American dollar.
   b. a weak American dollar.
   c. neither a weak or strong American dollar. Exchange rates do not affect manufacturers.
   d. a stable American dollar.

25. 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

26. 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.
CHAPTER 10: Fundamentals of International Political Economy

27. States may manipulate the price of their currency downward in order to
   a. increase their trade deficit.
   b. encourage emigration.
   c. boost their trade surplus.
   d. import more foreign goods.

28. Which of the following would result in a devalued currency?
   a. Lowering interest rates
   b. Increasing interest rates
   c. Buying reserves of your own currency
   d. Exporting more products that you import

29. The U.S. government wants China to allow its currency to increase in value in order to
   a. raise the value of the U.S. dollar.
   b. help moderate the American trade deficit with China.
   c. lower American interest rates.
   d. create competitive devaluation.

30. What effects would revaluing the Chinese yuan have?
   a. Make Chinese exports more competitive in foreign markets
   b. Decrease employment in China
   c. Increase profits for Chinese exporters
   d. Decrease the prices of Chinese exports

31. Competitive devaluation occurred during the
   a. Great Depression.
   b. Vietnam War.
   c. economic downturn of 2008.
   d. 1990s.
CHAPTER 10: Fundamentals of International Political Economy

32. Developing countries blame _________ farmers in the United States and Europe for their inability to compete more successfully in the global marketplace.
   a. subsidies to
   b. grants to
   c. regulations on
   d. tariffs on

33. Quotas hurt _________ and help _________.
   a. domestic producers; consumers
   b. consumers; domestic producers
   c. government; producers in other countries
   d. domestic producers; increase innovation

34. 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.

35. A subsidy is a
   a. limit on the number of goods that are imported.
   b. tax on imports.
   c. direct payment to producers to help them remain profitable.
   d. foreign aid program directed to developing countries.

36. A quota is a
   a. tax placed on imported goods.
   b. direct payment made to producers of goods to help them remain profitable.
   c. numerical limit placed on the amount of a certain item that can be imported.
   d. regulation on environmental and labor issues.
CHAPTER 10: Fundamentals of International Political Economy

37. When the European Union places restrictions on genetically modified crops because of the EU’s concern for health, the U.S. government considers this policy as a form of
   a. fair trade.
   b. free trade.
   c. protectionism.
   d. competitive devaluation.

38. 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.

39. Economic structuralists believe that the gap between rich and poor
   a. is not a problem.
   b. will narrow.
   c. will widen.
   d. will remain the same.

40. Neomercantilism includes all but one of the following principles. Which 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

41. Realist analysis of IPE deals with the interests of
   a. the individual, and not with the interests of corporations within a country.
   b. the state, not with the interests of individuals within the state or with economic efficiency.
   c. owners of the means of production, as opposed to the workers in the factories.
   d. transnational corporations and multinational conglomerates.
CHAPTER 10: Fundamentals of International Political Economy

42. 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.

43. Economic structuralists examine international trade from the perspective of the distribution of benefits on
   a. the state.
   b. classes.
   c. the individual.
   d. women.

44. In contrast to the liberal view in which economic inequalities between wealthy and poor states will lessen over time, economic structuralists argue that
   a. the gap in wealth will increase until there is a rise in trade and then the gap will decrease.
   b. this inequality is a result of the balance of power.
   c. this economic disparity will widen over time.
   d. the gap in wealth is only temporary.

45. Which theory makes the argument that economic disparities, once established, will be self-perpetuating?
   a. Mercantilism
   b. Liberalism
   c. Feminism
   d. Economic structuralism

46. A key difference between the constructivist approach to international political economy and that of the other theories is its assumption that
   a. power remains central to an understanding of the global economy.
   b. states’ goals and policies continuously change.
   c. economic growth and development will be achieved over time.
   d. individuals are still able to improve their economic positions.
CHAPTER 10: Fundamentals of International Political Economy

47. Embedded liberalism refers to the dilemma in which
   a. free trade may be beneficial but it could lead to an intrusive and abusive state.
   b. the realist view of mercantilism should be softened with a more constructivist approach.
   c. free trade is widely accepted yet the outcome from free trade could be disruptive and thus government needs to 
      be cautious.
   d. liberalism is essentially embedded into the framework of the government structure.

48. The post-2008 economic crisis
   a. strengthened the arguments of liberals.
   b. strengthened the views of economic structuralists.
   c. has contributed to the view that economies function best when governments are least involved.
   d. has contributed to the view that state intervention is important, and markets left to themselves will induce 
      crisis.

49. What was the name of Franklin Roosevelt’ program to resolve economic problems during the Great Depression?
   a. Fair Deal
   b. Square Deal
   c. New Deal
   d. Raw Deal

50. Which of the following was not a policy followed by Roosevelt to deal with the Great Depression?
    a. Passage of the Smoot-Hawley Tariff Act
    b. Borrowing vast sums of money and spending it on public works projects
    c. Introduction of the Social Security system
    d. Increasing the powers of the labor unions in America

51. During the Great Depression in the United States, gross domestic product (GDP) fell by nearly
    a. 20 percent.
    b. 30 percent.
    c. 50 percent.
    d. 65 percent.
CHAPTER 10: Fundamentals of International Political Economy

52. The term that refers to the reduction of the general level of prices in an economy is
   a. devaluation.
   b. depression.
   c. depreciation.
   d. deflation.

53. According to the feminist approach, the informal work by women in housework and raising children,
   a. has been undervalued and ignored by traditional theories of international political economy (IPE).
   b. has been included by some of the traditional theories.
   c. is not of sufficient importance to merit a significant inclusion in IPE theories.
   d. should be given a monetary value.

54. The economic data on the gender differences of income in the developed countries illustrates that
   a. the disparity is not that great.
   b. the differences are getting less significant.
   c. men earn significantly more than women.
   d. this disparity is much greater than in the developing world.

55. The United Nations Development Program has found that when women are educated and earn income,
   a. they are more likely to be exploited.
   b. 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.

56. In India, among children age 1–5, how much more likely is it that a girl will die than a boy?
   a. 20 percent
   b. 35 percent
   c. 50 percent
   d. 100 percent

57. The business practice of providing access to small amounts of money to women is called
   a. international borrowing.
CHAPTER 10: Fundamentals of International Political Economy

b. microlending.

c. creative financing.

d. small business loans.

58. Among the theories of IPE discussed in this chapter, which of them values the augmentation in state power, domestic employment, and self-sufficiency?
   a. Liberalism
   b. Realism
   c. Constructivism
   d. Economic Structuralism

59. 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.

60. The type of game in which actors have incentives that may overlap or contradict their partners is known as
   a. cost-benefit analysis.
   b. the positive-sum game.
   c. the rational action game.
   d. the mixed-motive game.

61. 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?

62. Why might U.S. citizens be concerned with the U.S.-Chinese trade relationship? How can the United States obtain greater leverage over the Chinese in this relationship?

63. Exchange rates are critical to a country’s economic position. Why do exchange rates matter? In what ways do they affect a country’s economy?
CHAPTER 10: Fundamentals of International Political Economy

64. Discuss the various types of protectionist measures. Who ultimately benefits from these measures and who suffers the cost?

65. How do the main theories of international relations explain the level of world poverty?

66. 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?

67. Why do feminists argue that the costs of globalization are unevenly distributed?

68. What is the balance of trade? Why is it important? How does it affect domestic politics?

69. How does currency manipulation hurt the international economic system? If a certain country is engaged in competitive devaluation, what problems might that imply for their foreign trading partners? How might this currency manipulation also hurt the domestic market?

70. How would realists view a free trade regime? How might they critique the liberal perspective on IPE?