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1. Which member country of the European Union apparently came very close to defaulting on its debt?
   a. United Kingdom
   b. Ireland
   c. Italy
   d. Greece

2. Which of the following reasons does NOT explain Greece’s difficulty in financing its debt?
   a. Greece’s abandoning of the euro in exchange for the drachma
   b. The global recession
   c. Higher interest rates
   d. High levels of borrowing

3. Why did the Greek crisis threaten to spread to the rest of Europe?
   a. Because there were not any other states struggling with debt.
   b. Because of arbitrage and capital mobility
   c. Because of the International Monetary Fund.
   d. Because many banks that were owed monies by Greek businesses were headquartered in other European states

4. Globalization, according to the text, contains all of the following components except
   a. international investment has become dominated by a few international businesses
   b. international trade has increased relative to domestic trade
   c. the cost and time for goods to flow across borders has decreased
   d. the world is defined by single markets.

5. Which of the following statements is true?
   a. For most countries, foreign trade is growing much faster than the domestic economy.
   b. The portion of each country’s economy that is either sold as exports or bought as imports is decreasing.
   c. Domestic economies in most of the world are growing faster than foreign trade.
   d. Trade is the only form of globalization.

6. In the past, governments had greater control over currency prices because
   a. governments were stronger and more centralized.
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b. governments controlled more currency than private actors.
c. the cost of exchanging currency was higher in the past.
d. governments had a monopolistic control over currency markets.

7. According to the text, under globalization comparative advantage is based not in natural resource endowments but in
a. the strength of the military.
b. the combined abilities of states working within international financial institutions.
c. the accumulation of large amounts of capital.
d. factors of technology, education, and network effects.

8. An important conclusion in this chapter focuses on the changes in power and control by the state. This conclusion can be summed up as
a. the state’s loss of control over globalization.
b. the regaining of control by the state over globalization.
c. the ability of the state to assert itself through market barriers.
d. an uneasy truce between the forces of globalization and the state.

9. In economics, a decline in output of less than _________ is referred to as a recession; a deeper contraction is called a depression.
   a. 5 percent
   b. 10 percent
   c. 20 percent
   d. 25 percent

10. The objectives of the Bretton Woods system were to
    a. fight communism and enrich the United States.
    b. promote free trade and increase global wealth.
    c. rebuild Europe and democratize the developing world.
    d. ensure continued U.S. presence in Asia and expand global capitalism.

11. The General Agreement on Tariffs and Trade (GATT) replaced the earlier concept of reciprocity with
    a. nondiscrimination.
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b. mutual agreement.
   c. coercive negotiation.
   d. collective action.

12. ________ describes the agreement that one state’s tariffs on goods would be the same as its trading partner’s tariff.
   a. Reciprocity
   b. Embedded liberalism
   c. Trade equality
   d. Non-discrimination

13. The most favored nation principle means that
   a. one nation is selected to benefit the most from free trade.
   b. if a state lowers a tariff toward one General Agreement on Tariffs and Trade (GATT) member, it is obliged to
      give all members the same low tariff.
   c. regional trading partners are given favorable trading terms.
   d. the GATT ensures that one country receives preferential trade treatment.

14. Which concept is described as a compromise between economic liberalism and state intervention?
   a. Fair trade
   b. Outsourcing
   c. Embedded liberalism
   d. Welfare economics

15. One major problem of the General Agreement on Tariffs and Trade (GATT) was the exclusion of certain classes of
    products. One of the most significant classes of product originally excluded from GATT was
    a. agricultural.
    b. manufactured.
    c. automotive.
    d. pharmaceuticals.

16. What is a quota?
    a. Qualitative limit on the kind of imported goods
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b. Quantitative limit on the number of imported goods
c. Quantitative limit on the number of exported goods
d. Qualitative limit on the kind of exported goods

17. Voluntary export restraints (VERs) are
   a. limits on the number of an item that can be imported.
   b. regulations adopted when one country threatens restrictions on trade and an exporting country agrees to limit exports to avoid the imposition of more stringent limits.
   c. restrictions that items to be sold as a domestic product must have a certain percentage of its final product components assembled domestically.
   d. quotas that are agreed upon and sanctioned by the WTO.

18. Why was agriculture left out of the original General Agreement on Tariffs and Trade (GATT) agreement?
   a. It is too diverse.
   b. It cannot be included in free trade arrangements, because each country has different standards.
   c. It was left out because agriculture interests are extremely powerful politically.
   d. It was left out because of too much disagreement and debate among the members of the organization.

19. All of the following are considered to be nontariff barriers except
   a. voluntary export restraints.
   b. health and environmental regulations.
   c. quotas.
   d. taxes on imports.

20. The General Agreement on Tariffs and Trade (GATT) dispute resolution mechanism was criticized by weaker and poorer countries for all of the following reasons except
   a. the United States enacting of high tariffs on goods from poor nations.
   b. the dispute resolution process was too slow.
   c. the dispute mechanism did not contain strong enforcement measures.
   d. weaker countries were forced by the United States to accept certain decisions.
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21. The primary change from the General Agreement on Tariffs and Trade (GATT) to the World Trade Organization (WTO) focused on the ability of the WTO to
   a. penalize the United States for any trade violation.
   b. prohibit certain countries from seeking penalties against other countries.
   c. allow states to challenge each other’s laws at the WTO.
   d. create an international trade police that was permitted to examine imported goods.

22. The goal of the World Trade Organization (WTO) dispute settlement process is to
   a. punish the offending member.
   b. determine right and wrong.
   c. mediate conflict.
   d. enforce American economic values and enhance the economic position of the United States in the world.

23. The first step in the World Trade Organization (WTO) dispute settlement process is
   a. debate.
   b. discussion.
   c. consultation.
   d. preparation.

24. To explain the growth in free trade after World War II, barriers to increased free trade can only be overcome when a single state is powerful enough to persuade other states to go along. This is called the
   a. costs and adjustments theory.
   b. regionalization theory.
   c. liberal trade theory.
   d. hegemonic stability theory.

25. As of 2015, the WTO had approximately how many members?
   a. 192
   b. 161
   c. 115
   d. 77
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26. According to some scholars, the most important trade policy that will affect third world development is the
   a. rise of nontariff barriers.
   b. expansion of the service industry in the developing world.
   c. reduction of the level of tariffs.
   d. reduction of agricultural subsidies by wealthy states.

27. In examining global economic power, it is clear that such power now is
   a. more evenly distributed than in the past.
   b. increasingly concentrated in the hands of the United States.
   c. controlled by a coalition of rich countries including the European Union, Japan, and the United States.
   d. increasingly controlled by the major developing countries, including Brazil, Russia, China, and India.

28. What is the main difference for members of the World Trade Organization (WTO) who also are members of a free trade area (FTA)?
   a. WTO members are provided lower tariffs than members of the FTA.
   b. There are no nontariff barriers for WTO members, but there may be some for FTA members.
   c. Within a free trade area, there are no tariffs at all, but there are some tariffs for WTO members.
   d. Barriers may be low for FTA members, but they are even lower for WTO members.

29. In Japan where land is scarce, farmers generally
   a. oppose free trade.
   b. support free trade.
   c. support the limited reduction in tariffs.
   d. align themselves with the interests of other workers.

30. The one global group that does not play a significant role in trade politics is
   a. manufacturers.
   b. consumers.
   c. workers.
   d. environmentalists.

31. Protection for U.S. sugar farmers _____.

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a. makes sugar more efficient
b. triples the price of US sugar
c. gives the US a comparative advantage in sugar
d. generates a savings for consumers

32. In much of the Third World, where labor is plentiful, labor and industries that rely on abundant labor
a. support free trade.
b. oppose free trade.
c. do not have an opinion regarding free trade.
d. support free trade with limited protectionist measures.

33. The process known as the “two-level game” highlights the interaction between
a. the individual level and the state level.
b. international partners and domestic constituents.
c. the state level and the international level.
d. the level of perception and the level of the system.

34. What percentage of American university students studied abroad during 2009–2010?
   a. 35 percent
   b. 20 percent
   c. 10 percent
   d. 1 percent

35. About how many foreign students study in the United States annually?
   a. 100,000 foreign students
   b. 400,000 foreign students
   c. 700,000 foreign students
   d. 1,000,000 foreign students

36. The investment by purchasing stocks rather than physical assets is known as
   a. direct foreign investment.
b. global capital mobility.
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c. international currency market.
d. cross-border portfolio investment.

37. States traditionally seek to achieve three goals concerning international monetary policy. Which of the following is not one of those goals?
   a. Predictability of exchange rates
   b. Free flow of capital
   c. Regulation of monetary policy through international organizations
   d. Autonomous domestic monetary policy

38. Financial burden that is imposed on a country as a result of changes in the international economic system is called the
   a. most favored nation principle.
   b. nondiscrimination.
   c. cost of adjustment.
   d. internationalization of finance.

39. The current international monetary system consists of
   a. capital mobility, domestic monetary autonomy, and floating exchange rates.
   b. capital mobility, fixed exchange rates, and restricted trade.
   c. domestic monetary autonomy, fixed exchange rates, and restricted currency flows.
   d. domestic monetary autonomy, floating exchange rates, and limited capital flows.

40. The primary benefit derived from the gold standard was
   a. domestic monetary autonomy.
   b. capital mobility.
   c. stability.
   d. a rise in global income.

41. The monetary system wherein little capital mobility occurred, stable exchange rates existed in order to facilitate trade, and the U.S. dollar was the primary currency to which all other currencies adjusted was known as the
   a. classical gold standard system.
   b. the intervening, interwar era.
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c. the Bretton Woods system.
d. the post-Bretton Woods system.

42. The Bretton Woods system consisted of all of the following features except
   a. a floating exchange rate.
   b. the U.S. dollar fixed to gold.
   c. the price of other currencies fixed to the dollar.
   d. limits on the flow of capital.

43. What factor undermined the gold standard immediately following World War I?
   a. Significant number of countries had to print more currency in order to finance the war effort.
   b. President Wilson took the United States off the gold standard because of unsustainable deficits.
   c. The war severely strengthened Britain’s financial position.
   d. The continuous discovery of vast amounts of new gold that helped the economy grow.

44. The International Monetary Fund was created during the Bretton Woods system in order to
   a. oversee the fixed exchange rate policy.
   b. lend money for long-term development projects.
   c. regulate global financial flows.
   d. lend money for a country’s short-term imbalances.

45. The dollar overhang concept refers to the situation when
   a. the number of dollars held in foreign hands grew much faster than the supply of gold backing them.
   b. the U.S. government controlled most of the dollars in circulation.
   c. a large amount of dollars were being held by the International Monetary Fund.
   d. countries were redeeming the dollar for gold at the set price of $35 per ounce.

46. Which of the following is NOT a reason the United States taken off the gold standard in the early 1970s?
   a. The Vietnam War and the “Great Society” antipoverty programs increased U.S. budget deficits.
   b. As the “dollar overhang” grew, foreign investors and governments grew less willing to finance it.
   c. The Vietnam War undermined U.S. moral authority.
   d. Vast amounts of gold discovered in the Yukon Territory.
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47. Which U.S. President took the United States off the gold standard?
   a. Nixon
   b. Ford
   c. Carter
   d. Eisenhower

48. The international monetary system that followed the collapse of the Bretton Woods agreement consisted of all the following features except
   a. coordinated government intervention.
   b. unilateral government policies.
   c. market forces.
   d. unrestricted capital movement.

49. In the 1980s and 1990s, an increasing number of states removed the restrictions on capital flows, one by one, that had been part of every state’s policies since World War II. Which is NOT a reason that states removed these controls?
   a. Actors who controlled a lot of capital put pressure on governments to allow freer movement.
   b. States removed these controls because allowing capital mobility provided access to massive amounts of international capital.
   c. Liberalization is the belief that markets are better than governments at allocating economic resources.
   d. The WTO required free capital flow for membership.

50. As the role of the U.S. dollar becomes undermined as the main currency of international commerce, the __________ has emerged as a highly stable form of currency to which many governments have already shifted in regards to reserve currency.
   a. Chinese yuan
   b. Australian dollar
   c. Euro
   d. Japanese yen

51. Which of the following factors caused the dollar to be undermined as the main currency in international commerce?
   a. China allowing its currency, the yuan, to become freely convertible
   b. The creation of the euro as a highly stable currency
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c. Concerns of U.S. government budget surpluses
d. The "Race to the Bottom"

52. When a country no longer is willing or able to make the scheduled payments on its borrowed capital, this often develops into what is known as a
   a. lender of last resort condition.
   b. debt crisis.
   c. fluctuating condition in the national currency.
   d. decline in global capital mobility.

53. What can exacerbate a debt crisis if the debtor country borrows in dollars?
   a. A loss in the value of the debtor’s currency relative to the dollar
   b. Collapse of the floating exchange rate
   c. Conditions imposed by the International Monetary Fund
   d. Nature of the two-level game in which domestic politics trumps repayment of loans

54. When called in to help with a monetary crisis, the IMF puts the responsibility usually on
   a. the lender country.
   b. the borrowing country.
   c. multinational corporations.
   d. the U.S. government.

55. The fundamental linkage between debt crises and monetary crises that can shift a manageable downturn into an unmanageable panic is referred to as a
   a. lender of last resort.
   b. crisis of confidence.
   c. monetary stagnation.
   d. currency devaluation.

56. In 2010, who acted as the lender of last resort for Greece?
   a. The European Union, but primarily Germany
   b. The United Kingdom
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57. Supporters of globalization tend to fall into which theoretical camp?
   a. Economic structuralism
   b. Realism
   c. Liberalism
   d. Constructivism

58. One of the main criticisms of globalization is that it
   a. makes the powerful more powerful and wealthy.
   b. actually makes everyone less well off.
   c. outsources jobs from developing to developed countries.
   d. prevents poorer countries from expanding their economies.

59. Since its economy began to take off in the early 1980s, China has lifted approximately how many people out of
   poverty, largely through participation in the global economy?
   a. 60 million
   b. 140 million
   c. 350 million
   d. 600 million

60. Many fear that globalization has forced countries to make all kinds of concessions to corporations in order to attract
   investment. This is called
   a. protectionism.
   b. the race to the bottom.
   c. economic structuralism.
   d. portfolio investment.

61. Discuss the key aspects of globalization. How important is each as a means to explain globalization? In what practical
   ways has globalization impacted your daily life?
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62. How did the General Agreement on Tariffs and Trade (GATT) function and in what way was it successful? Why was it replaced by the World Trade Organization?

63. Which domestic interest groups would benefit from preserving trade barriers and which groups would be hurt from those same barriers? How important are domestic interest groups in affecting international trade policy?

64. One of the important challenges in pursuing a state’s international monetary policy concerns the “trilemma” involving exchange rates, capital mobility, and domestic monetary policy. Explain this “trilemma” in terms of what makes it a dilemma. What can states do to try to reconcile these three objectives?

65. Economic liberalization became a powerful ideology and sets of policies were enacted by many governments beginning in the late 1980s. What are these policies and what are their objectives?

66. What are the competing costs and benefits of globalization?

67. Why does the text argue that states have lost control over globalization?

68. In the wake of the global financial crisis of 2009–2011, how did various countries attempt to deal with the negative outgrowths of the crisis? Why did some countries argue that a sizeable economic stimulus was needed, whereas others argued for countries dealing aggressively with growing debt burdens? How did globalization confound advocates of either approach?

69. Discuss the origins and purposes of the Bretton Woods system, particularly as it relates to trade and monetary policies. Why did the Bretton Woods monetary regime give way to a system of floating exchange rates in the 1970s and 1980s?

70. Does globalization mainly aid the poor or the rich in the world? Examine the merits of various perspectives on this question and indicate your own views on the existing evidence.