

Study Questions
(with Answers)

Lecture 2
Institutions of the International Economy

Part 1: Multiple Choice

Select the **best** answer of those given.

1. Which of the following is *not* one of the international economic institutions that were created at the end of World War II?
 - a. International Monetary Fund
 - b. International Bank for Reconstruction and Development
 - c. General Agreement on Tariffs and Trade
 - d. World Trade Organization
 - e. World Bank

Ans: d (The WTO was created in 1995)

2. During the half century since the end of World War II,
 - a. The major currencies of the world, which initially had flexible exchange rates, have become fixed.
 - b. The World Bank has switched from providing assistance to poor countries to primarily settling transactions among rich countries.
 - c. The GATT has been transformed into the WTO.
 - d. The IMF has changed from being a members-only bank to being a mutual fund for investment in emerging-economy stock markets.
 - e. Tariffs levied by developed countries against developing-country exports have increased.

Ans: c (The WTO incorporates the GATT, and more. As for answer (e), these tariffs have fallen much less than tariffs against other developed countries, but they have not actually increased.)

3. Which of the following was the name of one of the GATT negotiating rounds?
- a. NAFTA
 - b. Wilbur
 - c. Nixon
 - d. Seattle
 - e. Uruguay

Ans: e (The Uruguay Round, which took place in the late 1980s and early 1990s, was named after the country in which the meeting took place where the decision was made to start the round.)

4. Which of the following is *not* an example of an international public good?
- a. Open markets in a recession
 - b. Capital flows to less-developed countries
 - c. Money for settlement of international debts
 - d. Coordination of last resort lending
 - e. Exploration for new oil deposits

Ans: e (See Gerber p. 29.)

5. Near the end of World War II, the architecture of the postwar economic environment was constructed at a conference of the major Western powers held at?
- a. Geneva, Switzerland
 - b. Bretton Woods, New Hampshire
 - c. New York City
 - d. Versailles, France
 - e. Stratford on Avon, England

Ans: b

6. How many countries are member of the G-20?
- a. 7
 - b. 8
 - c. 19
 - d. 20
 - e. 24

Ans: c (The G-20 is 19 countries plus the EU, which is not a country.)

7. What, according to the assigned article by Donnan about the December 2013 WTO Ministerial Meeting, is meant by “trade facilitation”?
- Export subsidies
 - Import subsidies
 - A package to help businesses get their products through borders more easily
 - Reform of export credit facilities
 - Expansion of national export-import banks

Ans: c

8. Which of the following countries is not currently negotiating to be part of the Trans-Pacific Partnership?
- Brunei
 - United States
 - Chile
 - China
 - Malaysia

Ans: d

Part II: Short Answer

Answer in the space provided.

1. Define the following terms:

- Conditionality *Ans: The conditions imposed by the IMF on countries to which it makes loans, requiring various changes in their national economic policies.*
- National Treatment *Ans: The requirement in the WTO that imports, once they are allowed into a country, may not be treated any differently than domestically produced goods.*
- Free Riding *Ans: To enjoy the benefits of a public good without contributing to paying for it.*
- G-7 *Ans: The seven large industrial economies – Canada, France, Italy, Germany, Japan, United Kingdom, United States whose heads of state meet annually (first joined by Russia, as the G-8, and then by others in the G-20).*

2. What was the Marshall Plan?

Ans: A plan created by the United States to assist Europe with its economic and political reconstruction after World War II.

3. Who, according to a graphic shown in lecture, are “the Three Stooges of Corporate Folly”?

Ans: WTO, World Bank, IMF.

4. What is the current status of the Doha Development Round?

Ans: As of the December 2013 ministerial meeting in Bali, the multilateral trade negotiations in the WTO, begun at Doha in 2001 with the objective of liberalizing trade while helping developing countries, had finally reached an agreement, although it was a limited one. This revived hopes for further progress in the round in the future.

5. What do the following acronyms stand for?

a. MFN *Ans: Most Favored Nation*

b. ITO *Ans: International Trade Organization*

c. WIPO *Ans: World Intellectual Property Organization*

d. GATT *Ans: General Agreement on Tariffs and Trade*

e. SDR *Ans: Special Drawing Right*

f. EME *Ans: Emerging Market Economies*