Study Questions

Lecture 1
Overview of the World Economy

Part 1: Multiple Choice

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

1. How many countries are there in the world?

   a. Fewer than ten
   b. Between 10 and 100
   c. Between 100 and 500
   d. More than 500
   e. The number changes too rapidly to select among these answers.

2. Approximately what percentage of what the United States consumes is produced inside its borders?

   a. 2%
   b. 15%
   c. 50%
   d. 85%
   e. 98%

3. The less developed countries of the world trade mostly with

   a. Developed countries
   b. Other less developed countries
   c. Former communist countries
   d. Nobody. They do not trade
   e. None of the above

4. At what date, approximately did or will the total GDP at market exchange rates of the "emerging economies" (as the term is used by *The Economist*) exceed that of the developed economies.

   a. 1998
   b. 2008
   c. 2018
   d. 2028
   e. Never

5. Which of the following is **not** an international capital flow?

   a. An American depositing money in a bank account in Zurich, Switzerland.
   b. A German buying a U.S. Treasury bill.
   c. A Canadian purchase of a Japanese-made automobile.
   d. A Brazilian firm borrows from an Argentine bank.
   e. A Korean car company buys a factory in California.

6. Which of the following countries was one of the "notable exceptions" mentioned by the Gerber textbook as not being driven into recession by contagion from the US housing crisis of 2007?

   a. Mexico
   b. Spain
   c. India
   d. Japan
   e. Greece

7. Comparing the extent of globalization today with 50 and 100 years ago, which of the following is *not* true?

   a. Trade as a fraction of GDP is greater today than it was 100 years ago.
   b. Trade as a fraction of GDP declined during the first half the 20th century.
   c. There is greater international movement of financial capital today than there was in 1950.
   d. The fraction of the US population that is foreign born was higher at the end of the 20th century than it was at the end of the 19th century.
   e. In the last 50 years, US trade as a fraction of US output of goods has grown from less than 10% to more than 20%.

8. How do US tariffs today compare to what they were 60 years ago?

    a. Tariffs today have been eliminated; 60 years ago they averaged 100%.
    b. Tariffs today are only one tenth as large, on average, as they were then.
    c. Tariffs have been cut in half.
    d. Although different products have high tariffs than before, the average tariff is about the same.
    e. Recent concerns over outsourcing have pushed US tariffs about ten percentage points above what they were just after World War II.

9. Hufbauer and Greico say that some workers who lose their jobs due to trade liberalization suffer a loss of $240,000. How is that possible?

    a. This is the average yearly wage of workers in import-competing industries.
    b. Such workers typically lose their houses as well as their jobs, and this is mostly the value of their houses.
    c. This is a typographical error. They meant $24,000.
    d. This figure refers to the lifetime loss per worker, not the loss in just a single year.
    e. The hardest hit by trade liberalization are the CEOs of large corporations, who are highly paid.

10. According to the graph of advanced and emerging nation trade in the assigned article by Donnan, "Global trade slowdown worse than thought" (and also shown in class), what happened in 2005 when the curves cross?

    a. Advanced nation trade for the first time grew larger than emerging nation trade.
    b. Emerging nation trade for the first time grew larger than advanced nation trade.
    c. Only in this year were the rates of growth of trade the same in the two groups of nations.
    d. World trade became the same as the sum of advanced nation trade and emerging nation trade.
    e. Nothing special. The curves cross only because both are measured as indices equal to 100 in 2005, and emerging nation trade grew faster than advanced nation trade in most years.

Part II: Short Answer

Answer in the space provided.

1. Define the following terms:

   a. Openness

   b. Regional trade agreement

   c. Gross domestic product

   d. Shallow integration

2. The readings by powell (he seems to prefer the lower-case) and Bhagwati disagree on whether globalization is good or bad for the poor. What are some of their reasons? Do they seem to disagree on the facts, or only on which facts they pay attention to?

3. What country's international trade (exports plus imports) is a larger fraction of total world trade than that of any other single country?

4. How do the exports and imports of the European Union, to and from countries outside the EU, compare to those of the United States?

5. a. Name one industry in which the United States was a major net exporter (that is, it exports more than it imports) in the data from 2011 reported in class.

   b. Name one in which it was a major net importer.

6. Based on the data reported in lecture for the U.S. investment position at the end of 2015, the U.S. was a net debtor internationally. Of the following three categories of assets, which accounted for the largest part of this net indebtedness? That is, in which category do US assets fall furthest below (in dollars) US liabilities? (Circle one)

   Direct Investment / Portfolio Investment / Other Investment

   Portfolio Investment What do the following acronyms stand for?

   a. WTO

   b. FDI

   c. IMF

   d. RTA

   e. NAFTA