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 members of the group of both developed and developing countries called 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. Which of the following countries is <u>not</u> currently negotiating to be part of the

Regional Comprehensive Economic Partnership?

a. Brunei
b. United States
c. Chile
d. China
e. Malaysia

Ans: b (You don't necessarily know which other Asian countries are part of RCEP, but you should know for sure, from lecture and reading, that the US is not.)

8. By when must the EU-UK negotiations be completed for the terms of the exit of the UK from the EU?

a. By 2 years from the date that Prime Minister Cameron announced that there would be a referendum.
b. By 2 years from when Prime Minister Cameron officially informed the EU of the UK's intent to leave.
c. By 2 years from March 29, 2017, when the UK initiated the Article 50 process.
d. By June 23, 2018.
e. By December 31, 2018.

Ans: c

9. Which of the following is a free trade agreement that the United States is currently part of but is renegotiating?

a. The US-Israel FTA
b. NAFTA
c. KORUS
d. The Trans-Pacific Partnership
e. The US-Japan FTA

Ans: b (KORUS is not being renegotiated, but only amended.)

Part II: Short Answer

Answer in the space provided.

1. Define the following terms:

   a. Conditionality — *Ans: The conditions imposed by the IMF on countries to which it makes loans, requiring various changes in their national economic policies.*

   b. 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.*

   c. Free Riding — *Ans: To enjoy the benefits of a public good without contributing to paying for it.*

   d. 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 is or 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 2015 ministerial meeting in Nairobi, the WTO implicitly accepted that the Doha Round had failed, and would not be continued.

5. Which of the products listed below are being considered by the Trump administration (as of January 2017) for additional tariffs?

   ______ Coal
   ___✓___ Aluminum
   ___✓___ Washing machines
   ______ Cars
   ___✓___ Solar panels
   ___✓___ Steel
   ______ Coffee

6. What do the following acronyms stand for, and what do they mean?

   a. MFN *Ans: Most Favored Nation: The requirement that countries treat other countries as favorably as they treat the country whom they treat best.*

   b. ITO *Ans: International Trade Organization: The institution that was intended to be created governing the trade policies of member countries, alongside the IMF and World bank, but that was never ratified and therefore never came into being.*

   c. WIPO *Ans: World Intellectual Property Organization: The United Nations organization that oversees policies to protect intellectual property (patents, trademarks, and copyrights).*

   d. GATT *Ans: General Agreement on Tariffs and Trade: The agreement, meant to be temporary, restricting how countries would use tariffs and other trade policies.*

   e. SDR *Ans: Special Drawing Right: An asset created by the IMF to be used as a reserve currency by member central banks.*

   f. EME *Ans: Emerging Market Economies: Developing countries, especially those that have managed successfully to increase their per capita incomes over time.*