

### Question 1

What are the three main lessons on crisis learned from early developing countries in Latin America?

- A) choosing the right real rate, the importance of following exchange rates, and keeping prices high to make the most profit
- B) maintaining money supply, avoiding tariffs, and increasing output
- C) choosing the right exchange rate regime, the importance of contagion and the importance of the banking system
- D) pegging exchange rates with Euros, keeping labor cost and wages low
- E) maintaining money supply, avoiding inflation, and increasing production

Answer: <https://biology-forums.com/index.php?topic=405784>

### Question 2

Explain why the distinction between debt and equity finance is useful in analyzing the response of developing countries to unforeseen events such as recession or terms of trade change?

Answer: <https://biology-forums.com/index.php?topic=405745>

### Question 3

Presumably, since the United States is a large country in many of its international markets, a positive optimum tariff exists for this country. It follows therefore that when any legislator or government official who promotes zero-tariff free trade policies, is by definition not acting in the public's best interest. Discuss.

Answer: <https://biology-forums.com/index.php?topic=405237>

### Question 4

The remarkable success of the HPAEs proves that

- A) high educational standards is the key to successful economic growth.
- B) trade policy can lead to a higher standard of living for developing countries.
- C) dual economies must suffer economic stagnation.
- D) trade policy is the key to successful economic growth.
- E) trade policy is irrelevant to successful economic growth.

Answer: <https://biology-forums.com/index.php?topic=405334>

### Question 5

Suppose that a country experiences growth strongly biased toward its export, cloth

- A) this will tend to leave the country's terms of trade unchanged.
- B) this will tend to improve the country's terms of trade.
- C) this will tend to worsen the terms of trade for the country's trading partner.
- D) this will tend to worsen the country's terms of trade.
- E) this will increase the price of cloth relative to the imported good.

Answer: <https://biology-forums.com/index.php?topic=404799>

### Question 6

In the present, most of the exports from China are

- A) primary products including agricultural.
- B) technology intensive products.
- C) overpriced by world market standards.
- D) services.
- E) manufactured goods.

Answer: <https://biology-forums.com/index.php?topic=404425>

### Question 7

The infant industry argument calls for active government involvement

- A) only if the industry is independently able to earn high returns.
- B) only if the industry is not one already dominated by industrial countries.
- C) only if the government forecasts are accurate.
- D) only if the industry has a high value added.
- E) only if some market failure can be identified.

Answer: <https://biology-forums.com/index.php?topic=405277>

### Question 8

Which of the two features of the IMF Articles of Agreement helped promote flexibility in external adjustment?

- A) New countries would enter the agreement if they fixed their exchange rate.  
B) IMF members contributed their currency to form a pool of resources that IMF could lend to countries in need and parities in the exchange rate against the dollar could be adjusted with agreement of IMF.  
C) IMF members argued against the use of floating exchange rates.  
D) IMF members helped countries maintain full employment.  
E) IMF allowed countries to attain internal balance.

Answer: <https://biology-forums.com/index.php?topic=405172>

### Question 9

The median voter model

- A) is not widely practiced in the United States.  
B) tends to result in biased tariff rates.  
C) does not work well in the area of trade policy.  
D) works well in the area of trade policy.  
E) is not intuitively reasonable.

Answer: <https://biology-forums.com/index.php?topic=405195>

### Question 10

Advocates of flexible exchange rates claim that under flexible exchange rates

- A) enhanced control over monetary policy would allow countries to dismantle their distorting barriers to international payments.  
B) enhanced control over fiscal policy would allow countries to dismantle their distorting barriers to international payments.  
C) enhanced control over monetary policy would allow countries to increase their distorting barriers to international payments.  
D) reduced control over monetary policy would allow countries to dismantle their distorting barriers to international payments.  
E) enhanced control over monetary policy would destabilize exchange rates.

Answer: <https://biology-forums.com/index.php?topic=405268>

### Question 11

A considerable advantage that richer countries have over poorer ones is exemplified by the fact that

- A) richer countries do not have to denominate their foreign debts in their own currencies.  
B) when demand falls for a poorer country's goods, this leads to a significant wealth transfer from foreigners to the poorer country, a kind of international insurance payment.  
C) richer countries can extract trade advantages by using military power.  
D) richer countries have the ability to denominate their foreign debts in foreign currencies.  
E) richer countries have the ability to denominate their foreign debts in their own currencies.

Answer: <https://biology-forums.com/index.php?topic=405727>

### Question 12

Which of the following is a reason that developing countries are running large surpluses?

- A) They have defaulted on international loans.  
B) They are required to do so by IMF.  
C) They have a strong desire to accumulate international reserves to protect against a sudden stop of capital inflows.  
D) They have pegged exchange rates and thus the growth of exports must drive surplus up.  
E) They don't know how to manage their surpluses.

Answer: <https://biology-forums.com/index.php?topic=405737>

### Question 13

What factors lie behind capital inflows to the developing world?

Answer: <https://biology-forums.com/index.php?topic=405743>

### Question 14

Economic theory and experience since 1973 indicate that, under floating exchange rates, a country's fiscal and monetary policies in the short-run and the long-run can

- A) have neither domestic nor foreign economic impact.  
B) have domestic but not foreign economic impact.  
C) have both domestic and foreign economic impact.  
D) have foreign but not domestic economic impact.  
E) have domestic or foreign economic impact, but not both.

Answer: <https://biology-forums.com/index.php?topic=405348>

### Question 15

If Australia has relatively more land per worker, and Belgium has relatively more capital per worker, then if trade began between these two countries

- A) the relative price of the capital-intensive product would decrease in Belgium.
- B) relative product prices would diverge between Australia and Belgium.
- C) the relative price of the land-intensive product would increase in Belgium.
- D) the relative price of the capital-intensive product would increase in Australia.
- E) the relative price of the land-intensive product would increase in Australia.

Answer: <https://biology-forums.com/index.php?topic=404705>

### Question 16

Which one of the following statements is the MOST accurate?

- A) A rise in the interest rate offered by dollar deposits causes the dollar to depreciate.
- B) A rise in the interest rate offered by dollar deposits causes the dollar to appreciate.
- C) A rise in the interest rate offered by the dollar causes the euro to appreciate.
- D) For a given euro interest rate and constant expected exchange rate, a rise in the interest rate offered by dollar deposits causes the dollar to appreciate.
- E) A rise in the interest rate offered by dollar deposits does not affect the U.S. dollar.

Answer: <https://biology-forums.com/index.php?topic=404418>

### Question 17

Compared with inter-regional trade in the he United States, intra-EU trade

- A) is about the same.
- B) is less.
- C) is greater.
- D) is far less.
- E) is far greater.

Answer: <https://biology-forums.com/index.php?topic=405647>

### Question 18

Should the IMF be abolished? Discuss.

Answer: <https://biology-forums.com/index.php?topic=405754>

### Question 19

An increase in

- A) real output raises the interest rate while a fall in real output lowers the interest rate, given the money supply.
- B) nominal output raises the interest rate while a fall in real output lowers the interest rate, given the price level and the money supply.
- C) real output decreases the interest rate while a fall in real output increases the interest rate, given the price level.
- D) nominal output raises the interest rate while a fall in real output lowers the interest rate, given the price level.
- E) real output raises the interest rate while a fall in real output lowers the interest rate, given the price level and the money supply.

Answer: <https://biology-forums.com/index.php?topic=404454>

### Question 20

The proposal that trade agreements should include a system which monitors worker conditions and make the results available to consumers in the rich importing country

- A) is consistent with the market failure approach.
- B) is consistent with the Invisible Hand paradigm.
- C) is consistent with the scale economies approach to trade theory.
- D) is consistent with the principles laid out by the WTO.
- E) is consistent with the Ricardian theory of comparative advantage.

Answer: <https://biology-forums.com/index.php?topic=405382>