

Exam 4: Extra Credit

1. What does GDP per capita measure?

- A) the sum of domestic goods, after the Gini coefficient is taken into account
- B) the projected level of development multiplied by the current wealth of a country
- C) the monetary value of the people, resources, and industrial output of a country
- D) total of the value of goods and services produced by a national economy divided by its population**
- E) the amount of international trade that takes place for a country in a given year

2. What does GDP fail to measure?

- A) value of goods (such as mining ores)
- B) value of low-skill services (such as data entry)
- C) value of high-skill services (such as banking and accounting)
- D) barter, subsistence production, and household domestic labor**
- E) It fails to measure all of the above.

3. What is the best description of activities of the secondary sector?

- A) assembling raw materials and manufacturing**
- B) extraction of materials from the earth
- C) provision of services, including wholesaling and retailing, and transportation
- D) management of information
- E) none of the above

4. What is NOT a characteristic problem of less developed countries?

- A) Lack of natural resources**
- B) Rapid population growth
- C) Low labor productivity
- D) Lack of capital and investment

5. What are terms of trade?

- A) The series of international agreements that a country agrees to abide to in the world economy
- B) The relative values of its exports and imports**
- C) The network of functions that connect a country to the international economy
- D) Laws that a country must skirt if it is to make a profit
- E) The surplus items that a country has available for export

6. According to the chart below, state which country has a comparative advantage in each product and an absolute advantage in each product.

	US	UK
Wheat (bushels/hour)	6	1
Cloth (yards/hour)	4	2

Comparative advantage in wheat: United States

Comparative advantage in cloth: United Kingdom

Absolute advantage in wheat: United States

Absolute advantage in cloth: United States

7. Which theory is a double comparison between products and countries?

- A) Competitive
- B) Comparative**
- C) Absolute
- D) All of the above

8. If the U.S. increases its purchases of Japanese goods, then demand for the yen will [increase/decrease]. The Japanese yen will [appreciate/depreciate] and the U.S. dollar will [appreciate/depreciate].

9. Each of the following are ways for a country to manipulate currency and lower its currency value except:

- A) Increase money supply
- B) Lower interest rates
- C) Increase interest rates**
- D) All of the above are ways to lower currency value

10. Which of the following is a drawback of FDI?

- A) Repatriations to home country
- B) Enclave development
- C) Transfer of low-grade technology
- D) All of the above**
- E) None of the above

11. Why do firms outsource?

- A) Cope with occasional surges in demand
- B) Diversification of risk
- C) Cost saving
- D) All of the above**

12. EPZ stands for: Export Processing zones

In China, EPZs are referred to as: Special Economic Zones

In Mexico, EPZs are referred to as: Maquilas

13. What is one measure of economic growth? Real National Income

What is one measure of economic development? Improvement in Quality of Life

14. What are two of the Sustainable Development Goals (SDGs)?

- (1) No Poverty
- (2) Affordable and Clean Energy

15. What are the two main countries involved in the currency war?

- (1) United States
- (2) China