

NAME: _____

Student ID No.: _____

**Economics 340
International Economics
Prof. Alan Deardorff
Second Midterm Exam**

Answers

March 29, 2010

INSTRUCTIONS: READ CAREFULLY!!!

1. Please do not open the exam until you are told to do so.
2. **PLACE YOUR NAME AND STUDENT ID NO. (THE EIGHT DIGIT NUMBER FROM YOUR M-CARD) ON THE EXAM AND ON THE SCANTRON SHEET.**
3. **After** you are told to open the exam, find the **FORM NUMBER** at the top of page 2 and copy it to the scantron sheet.
4. This exam has 100 points and you have approximately 80 minutes to complete it. Check that you have all ?? pages of the exam, including this cover sheet.
5. **Part 1** consists of 25 multiple choice questions worth 2 points each. Answers to these should be marked on the scantron sheet using a #2 pencil. There are no penalties for guessing.
6. **Part 2** consists of short-answer questions for which you must provide written answers on these sheets. Point values for questions in Part 2 are indicated in parentheses. Part 2 has 48 points total.
7. That leaves 2 points unaccounted for. You will get these if (and only if) you put your name and ID number on both this exam booklet and the scantron sheet, **and** if you enter the form number (see above) on the scantron.
8. Good luck!

FORM 0

Economics 340 Second Midterm Exam

Part 1: Multiple Choice (2 points each)

Select the **best** answer of those given. Answers to this part should be marked on the scantron sheet using a #2 pencil. There is only one correct answer per question, and there is no penalty for guessing.

1. How does the presence of strong labor unions in a country affect the amount of immigration into it?
 - a. Strong unions increase immigration because unions seek larger membership.
 - b. Strong unions decrease immigration because migrants prefer to avoid paying union dues.
 - c. Strong unions have ambiguous effect on immigration because they attract more workers from abroad but also resist letting them in.
 - d. Strong unions are irrelevant to immigration because immigrants are not eligible to join them.
 - e. Strong unions increase immigration because immigrants advocate for worker rights.

Ans: c

2. A “guest worker” program is
 - a. A factory that pays workers with room and board, rather than with money wages.
 - b. A type of employment offered by multinational corporations who hire workers for only a limited time period.
 - c. A means of producing labor-intensive goods for export in an industry that normally would not employ labor.
 - d. A firm in a developing country that uses information technology so that its workers can replace workers in developed countries.
 - e. A government program that permits workers to enter a country from abroad to work temporarily where there is a labor shortage.

Ans: e

3. By devoting more resources to keeping illegal immigrants from crossing the U.S.-Mexico border, the U.S. has caused
- Wages in Mexico to rise.
 - Immigrants to be exploited by those who offer to help them cross the border.
 - Increased taxes to be collected from legal immigrants in the U.S.
 - Increased illegal immigration.
 - Working conditions in Mexico to improve.

Ans: b

4. Foreign direct investment does not necessarily involve a net capital flow from one country to another because
- Acquisition of assets abroad can also be financed in the host country.
 - Investors may simply reinvest their earnings from their home-country operations.
 - FDI need not include ownership of financial assets.
 - FDI need not include ownership of real assets.
 - Credits and debits in the balance of payments must be equal.

Ans: a

5. Which of the following receives more than \$10 of FDI for every dollar of FDI that goes abroad? (That is, for which of the following are FDI inflows, as host country, more than ten times its FDI outflows, as source country?)
- United States
 - Japan
 - Europe
 - Other Asia
 - Latin America

Ans: e