INTERNATIONAL ECONOMICS

TEST JEZELF

1 Which combination best explains the acceleration of globalization from around 1980 onwards?

A. Higher trade barriers, declining multinational activity, and stricter capital controls

B. Trade liberalization, growth of multinational companies, technological progress, and the transition toward market economies

C. Reduced migration, regional isolation, and declining international investment

D. Reshoring, protectionism, and shorter supply chains

2 A European company transfers part of its production to an emerging economy. Which combination contains only potential positive effects for the host country?

A. Job creation, technology transfer, higher tax revenues, and infrastructure development

B. Job creation, lower inequality, profit repatriation, and reduced dependence on FDI

C. Economic growth, environmental pollution, technology transfer, and profit repatriation

D. Infrastructure development, exploitation, higher tax revenues, and growing inequality

3 What does the dip around the 80th percentile in Branko Milanovic's "Elephant Curve" primarily represent?

A. Falling incomes among the poorest people in emerging economies

B. Limited income growth among the lower middle class in rich countries

C. A decline in the income of the world's richest 1%

D. Rapid income growth among workers in developed countries

4 Why have improvements in transport and logistics contributed to increasingly fragmented global value chains?

A. They have eliminated exchange-rate fluctuations between trading countries.

B. They have made international transport more expensive but more reliable.

C. They have reduced transport costs and made it economically attractive to produce different parts of a product in different countries.

D. They have removed the need for companies to coordinate production internationally.

5 Why can the "just-in-time" approach increase the vulnerability of highly fragmented global value chains?

A. It creates low flexibility when disruptions occur in the chain.

B. It requires firms to maintain extremely large inventories.

C. It eliminates firms' dependence on transport and logistics.

D. It prevents companies from specializing internationally.

6 In the tariff example presented in the course, free trade results in a price of $1.20. An import tariff of $0.40 is then imposed. What happens?

A. The price rises to $1.60 and total quantity falls.

B. The price rises to $1.80 and total quantity remains the same.

C. The price rises to $1.60 and total quantity rises.

D. The price remains at $1.20.

7 Why do US import tariffs on iPhones assembled in China may have a "wealth-degrading" effect?

A. Because all iPhone components are produced in China, making US production impossible.

B. Because tariffs automatically eliminate international competition and reduce US wages.

C. Because iPhones contain components from several countries, including the US, while the tariffs mainly raise US consumer prices without creating significant additional assembly jobs.

D. Because tariffs force Apple to stop selling smartphones in the US market.

8 Which statement best explains why traditional trade barriers may be less effective in a world of fragmented global value chains?

A. International trade now consists exclusively of services.

B. Fragmented value chains make companies completely independent of foreign suppliers.

C. Import tariffs no longer increase the prices of imported products.

D. Companies can shift links in their value chains, tariffs can affect domestic firms participating in those chains, and services represent an increasing part of international trade.

9 Which scenario is the clearest example of nearshoring rather than reshoring?

A. A Belgian company moves production from China back to Belgium.

B. A Belgian company moves production from Belgium to China to benefit from lower wages.

C. A Belgian company moves production from China to Poland in order to locate production closer to Belgium.

D. A Belgian company stops producing a product entirely.

10 Which development would be least consistent with the concept of "slowbalization"?

A. Shorter and more regional value chains

B. Reindustrialization in Western economies

C. Increasing trade conflicts and protectionism

D. Rapid expansion of highly fragmented worldwide value chains and growing global dependence

11 Belgium records a current account deficit while simultaneously recording a financial account surplus. Which situation is most consistent with this combination?

A. Belgium exports more than it imports and experiences a net capital outflow.

B. Belgium imports more due to higher consumption while experiencing a net capital inflow.

C. Belgium reduces imports while Belgian investors transfer more capital abroad.

D. Belgium has neither international trade flows nor international investment flows.

12 Which transaction would be recorded under the income balance rather than the trade/services balance, transfers, or financial account?

A. A Belgian company exports machinery to Canada.

B. Belgium makes a contribution to the EU budget.

C. A Belgian investor receives dividends from a company abroad.

D. A foreign company makes an FDI investment in Belgium.

13 Brewery Huyghe exports a shipment worth €40,000 to the United States. If €1 = $1.17, how many USD must the American customer convert into € to pay the invoice?

A. $46.800

B. $40.000

C. $34.188

D. $57.170

14 Let's consider the exchange rate of USD in €. Which combination would most likely cause an appreciation of the €?

A. US imports of European products fall and US interest rates become more attractive.

B. The € becomes less attractive to investors and demand for € falls.

C. European inflation rises above US inflation and investors expect the USD to rise.

D. US imports of European products rise and European interest rates become relatively more attractive.

15 Under a floating exchange-rate system, a country develops a balance-of-payments deficit. Which adjustment mechanism is described in the course?

A. Currency appreciation → exports become more expensive → exports decline → deficit falls

B. Currency depreciation → domestic products become cheaper internationally → exports rise → deficit falls

C. Currency depreciation → exports become more expensive → imports rise → deficit falls

D. Central bank intervention → currency appreciates → exports rise → deficit disappears

16 The DK becomes too strong relative to the € and threatens to move outside its permitted "deviation tunnel". What should the Danish central bank initially do?

A. Sell DK and buy €.

B. Buy DK and sell €.

C. Raise interest rates to attract additional foreign capital.

D. Revalue the DK immediately.

17 Instead of directly intervening in currency markets, how can the Danish central bank respond when the DK becomes too weak?

A. Lower interest rates, reducing foreign demand for DK.

B. Raise interest rates, increasing the attractiveness of Danish investments and demand for DK.

C. Increase inflation to make the DK less attractive.

D. Lower interest rates to increase demand for DK.

18 Suppose the parity changes from €1 = 7.46 DK to €1 = 7.20 DK. How is this classified?

A. Depreciation of the DK

B. Devaluation of the DK

C. Revaluation of the DK

D. Appreciation of the €

19 Which statement correctly distinguishes floating from stable/fixed exchange-rate systems?

A. Floating rates eliminate volatility but remove central-bank autonomy.

B. Fixed rates provide automatic balance-of-payments adjustment and full monetary autonomy.

C. Both systems provide identical monetary autonomy but differ only in their effects on international trade.

D. Floating rates allow greater central-bank autonomy but create exchange-rate uncertainty, whereas fixed rates reduce exchange-rate risk but limit monetary autonomy.

20 Which statement most accurately describes the Bretton Woods system?

A. Participating currencies were fixed against the US dollar, while the dollar was convertible into gold at $35 per ounce.

B. Every participating currency floated freely against the dollar, while gold prices were determined by the market.

C. All participating countries replaced their national currencies with the US dollar.

D. The dollar was fixed against the euro, with fluctuations limited to ±2.25%.

21 Which combination best explains why Sri Lanka required IMF assistance in 2023?

A. Rapidly increasing exports, excessive foreign investment and an appreciating currency

B. High external debt, declining exports and tourism, and economic policy errors such as tax cuts

C. Excessive government revenues, rising tourism and insufficient imports

D. Low external debt, increasing exports and excessive foreign currency reserves

22 Which statement most accurately describes the conditions and objectives of the IMF's intervention in Sri Lanka?

A. The IMF provided approximately $3 billion without requiring reforms, mainly to finance infrastructure projects.

B. The IMF provided approximately $3 billion exclusively to increase government spending and stimulate imports.

C. The World Bank provided approximately $3 billion to eliminate Sri Lanka's external debt immediately.

D. The IMF provided approximately $3 billion in exchange for reforms aimed at stabilizing the balance of payments and restoring confidence in the currency.

23 A country is experiencing a severe balance-of-payments crisis, while another developing country wants to finance roads, healthcare and education to promote structural growth. Which allocation best matches the roles of IMF and World Bank?

A. World Bank for the first country; IMF for the second

B. IMF for both countries because both institutions focus primarily on crisis management

C. IMF for the first country; World Bank for the second

D. World Bank for both countries because the IMF only monitors exchange rates

24 Which statement best reflects the criticism of IMF programmes?

A. IMF loans may require severe austerity measures that critics argue can increase inequality and sometimes worsen an economic crisis.

B. IMF programmes are criticized because they prohibit countries from reducing government expenditure.

C. The IMF is criticized primarily because it only provides assistance to wealthy countries.

D. IMF programmes are criticized because they always require governments to nationalize private companies.

25 Which statement correctly combines the IMF's funding structure with its institutional role?

A. The IMF is financed exclusively by the World Bank and focuses mainly on infrastructure in developing countries.

B. IMF quotas are emergency loans paid by countries only after they experience a balance-of-payments crisis.

C. The IMF receives its capital exclusively from developing countries and uses it primarily for poverty-reduction projects.

D. Member states contribute through quotas, which form the IMF's own capital, while the IMF monitors the international monetary system and can assist countries with balance-of-payments problems.

JOUW ANTWOORDEN:

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