

2007 NATIONAL ECONOMICS CHALLENGE
NCEE/Goldman Sachs Foundation

National Round III: International/Current Events
Adam Smith Division

1. Which of the following is most likely to occur when firms from the U.S. want to build factories in other countries or purchase foreign financial securities?
 - A. The demand for foreign currencies in the U.S. will decrease and the dollar will appreciate.
 - B. The demand for foreign currencies in the U.S. will increase and the dollar will depreciate.
 - C. The demand for the dollar will decrease in other countries and the dollar will depreciate.
 - D. The demand for the dollar will increase in other countries and the dollar will appreciate.
 - E. The price of foreign physical capital will rapidly adjust to eliminate any imbalances that may arise from changes in the value of the dollar.

2. In a large open economy, an increase in investment demand, will
 - A. decrease the real interest rate
 - B. decrease net exports
 - C. increase net capital outflow
 - D. reduce national saving
 - E. lead to a depreciation in the real exchange rate

3. What country provides the largest volume of U.S. oil imports?
 - A. Canada
 - B. Saudi Arabia
 - C. Nigeria
 - D. Venezuela
 - E. Kuwait

4. Which of the following industries accounts for the largest share, by dollar volume, of U.S. exports?
 - A. Transportation equipment
 - B. Chemicals
 - C. Computer and electronic products
 - D. Electrical equipment, appliances, and components
 - E. Food and kindred products

5. The Kyoto Protocol refers to
- A. The Japanese-U.S. agreement to impose voluntary quotas on imported Japanese products
 - B. The Japanese monetary policy initiative adopted to end the country's deflation of the past several years
 - C. A regional agreement whereby Pacific Rim currencies are tied to one another in an exchange rate mechanism
 - D. An agreement by countries to reduce emissions of carbon dioxide and other greenhouse gases
 - E. The post-World War II agreement that limited Japanese industrialization unless approved by the U.S.
6. Which best measures a nation's standard of living over time?
- A. Rate of inflation
 - B. Rate of unemployment
 - C. Real income per capita
 - D. Money income per capita
 - E. Poverty rate
7. In the context of long-term international economic growth, time series international data on income per person suggest
- A. countries that start off poor grow faster than those that start off rich
 - B. the neoclassical growth model predicting convergence of living standards is coming true
 - C. convergence only occurs if one adjusts for such things as differential saving rates, population growth rates, and educational attainment
 - D. countries that start off poor are unable to measurably improve average living standards, even over fairly long periods of time that, paradoxically, productivity growth in countries contributes relatively little to average living standards
 - E.

8. The following data show the number of hours it takes to produce one ton of wheat and one ton of sugar beets, using one unit of non-labor resources, in Reedville and Nelltown.

	<u>Wheat</u>	<u>Sugar Beets</u>
Reedville	15	9
Nelltown	12	8

Which of the following statements are true?

- I. Reedville has a comparative advantage in producing wheat.
 - II. Nelltown has an absolute advantage in producing wheat
 - III. Reedville has an absolute advantage in producing sugar beets
 - IV. Nelltown has a comparative advantage in producing wheat
-
- A. II only.
 - B. I and III only
 - C. II and IV only
 - D. I, II, and III only
 - E. II, III, and IV only
9. Selling short refers to
- A. purchasing a position that will increase in value if the underlying asset decreases in value
 - B. intentionally selling out of a product so that a new product line can be phased in
 - C. an international practice used by countries to attempt to manipulate currency rates
 - D. an inventory management technique in which “first in, first out” procedures are used
 - E. an unfair trade practice whereby a country’s exports are subsidized so that the country can gain market share in its trading partners’ markets.
10. In the short run, fiscal policy will have the largest impact on output in which of the following cases?
- A. A large open economy with a flexible exchange rate regime.
 - B. A small open economy with a flexible exchange rate regime.
 - C. A closed economy.
 - D. A small open economy with a fixed exchange rate regime.
 - E. A small open economy with a fixed exchange rate regime and rapidly adjusting prices.

11. The current value of the U.S. misery index is closest to which of the following?
- A. 7.5
 - B. 10
 - C. 12.5
 - D. 15
 - E. 20
12. Total trade in the U.S. (exports + imports) as a share of GDP is approximately which of the following:
- A. 28%
 - B. 38%
 - C. 48%
 - D. 58%
 - E. 68%
13. In a fixed exchange rate regime,
- A. small countries tend to run persistent trade deficits
 - B. domestic central banks lose discretionary control of monetary policy at managing the overall economy
 - C. countries are prevented from accumulating foreign exchange
 - D. devaluations are typically used to make foreign goods cheaper to purchase
 - E. all trades of foreign exchange are legally prohibited
14. The term “Lombard Facility” refers to
- A. a practice used by the Commodity Futures Trading Commission to regulate trading on futures and options exchanges
 - B. a set of guidelines that is used in enforcing anti-trust legislation
 - C. the practice used by the Federal Reserve and other central banks of tying official borrowing rates above a key short-term interest rate
 - D. recent judicial rulings that curtail state and local government uses of eminent domain for economic development projects
 - E. a now discredited exchange rate system that required countries to adopt a bimetallic monetary standard

15. In the United States, a decrease in which of the following will cause a decrease in U.S. imports?
- I. Per capita real income
 - II. Price level
 - III. Interest Rates
 - IV. Tariffs
-
- A. I and II only
 - B. I and III only
 - C. I and IV only
 - D. I, II, and III only
 - E. II, III, and IV only