

**2007 NATIONAL ECONOMICS CHALLENGE**  
**NCEE/Goldman Sachs Foundation**

**National Round III: International/Current Events**  
**David Ricardo Division**

1. In every economic system, people must choose how to
  - A. satisfy all the wants of society.
  - B. make the best use of scarce resources.
  - C. create an equal distribution of income.
  - D. minimize production costs.
  - E. establish a system of monetary exchange.
  
2. Specialization and division of labor by nations followed by increasing international trade probably would
  - A. increase total world production of goods and services
  - B. increase the level of worldwide unemployment
  - C. increase average price levels around the world
  - D. eliminate differences in standards of living among nations
  - E. lower living standards in the poor nations of the world
  
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
- The Japanese-U.S. agreement to impose voluntary quotas on imported Japanese products
  - The Japanese monetary policy initiative adopted to end the country's deflation of the past several years
  - A regional agreement whereby Pacific Rim currencies are tied to one another in an exchange rate mechanism
  - An agreement by countries to reduce emissions of carbon dioxide and other greenhouse gases
  - 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?
- Rate of inflation
  - Rate of unemployment
  - Real income per capita
  - Money income per capita
  - Poverty rate
7. The exchange rate between the U.S. dollar and the Japanese Yen changes from \$1 = 140 yen to \$1 = 120 yen. This change means that
- U.S. goods will be more expensive for Japanese
  - Japanese goods will be more expensive for Americans
  - there will be an increase in U.S. imports from Japan
  - there will be a decrease in Japanese imports from the U.S.
  - there will be no effect, since prices will adjust immediately to eliminate any currency advantage
8. The table below shows the tons of wheat and sugar beets that can be produced in Reedville and Nelltown in one year, using the same amount of productive resources.

	<u>Wheat</u>	<u>Sugar Beets</u>
Reedville	100	50
Nelltown	64	16

According to the theory of comparative advantage, what should Reedville do?

- export wheat to Nelltown and import sugar beets
- export sugar beets to Nelltown and import wheat
- export both wheat and sugar beets to Nelltown
- import both wheat and sugar beets from Nelltown
- they should avoid trade and rely solely on domestic production

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. “To correct our balance of trade deficit, we should increase tariffs on imported goods.” If tariffs are increased, the long run effect is most likely to be
- A. balanced trade across countries
  - B. a decrease in both U.S. imports and exports
  - C. an increase in both U.S. exports and imports
  - D. a decrease in U.S. imports, and an increase in U.S. exports
  - E. an increase in U.S. imports, and a decrease in U.S. exports
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 currency
  - D. devaluations are typically used to make foreign goods cheaper to purchase
  - E. all trades of foreign exchange are legally prohibited

14. Core inflation
- A. is another name for inflation as measured by the GDP implicit price deflator
  - B. in recent months has been accelerating at double digit rates
  - C. is a measure of inflation with energy prices removed from the calculation
  - D. is a measure of inflation with energy and food prices removed from the calculation
  - E. is a measure of changes in the world price level that is calculated and reported by the IMF
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