Political Science 10 – Introduction to International Relations
Professor Paul M. Flor

True/False Review for Chapter 12 – Political Economy of International Trade, Money, and Regional Integration

Number your page from 1 to 9 and write T or true and F for false. There is no need to rewrite the question.

1. Trade would almost certainly diminish if all countries could produce the same goods with the same efficiency. True False

2. Over time, the lending resources of the International Monetary Fund (IMF) have expanded. True False

3. Capital-intensive agriculture in the First World can rarely compete internationally with the agriculture of Third World countries since the latter have very low labor costs. True False

4. So far the countries of the First World have been generally unwilling to grant trade preferences to Third World countries. True False

5. Comparative advantage refers to the concept that countries will produce and export those products that they can produce relatively more efficiently. True False

6. The balance of payments is found by subtracting a state’s imports from its exports. True False

7. Exchange rates are important to know about because changes in them directly affect prices and thus the revenues earned from international trade. True False

8. Gold and silver are examples of hard currencies. True False

9. Fiscal policies deal with government budgetary matters, whereas monetary policies address government measures that affect the size and growth of the money supply. True False

DISCUSSION TOPIC – Reply in one paragraph.

How do exchange rates affect international trade? Why would a country want to manipulate the value of its currency either up or down, i.e., let its currency appreciate or depreciate in relation to other currencies? What are the political implications of these alternative courses of action?

ACTIVITY – Reply in one paragraph.

What is meant by international monetary regime? Visit the International Monetary Fund web site: www.imf.org

What is its purpose? What are its functions? What role does it play in international relations? Compare this to an organization such as the UN or NATO.