

Chapter 6

For each question, decide if it is true or false. For "false" statements, rewrite the entire statement with the correct changes.

■ TRUE-FALSE QUESTIONS

Circle *T* if the statement is true, *F* if it is false.

1. For the United States, the volume of international trade has been increasing relatively but not absolutely. **T F**
2. The U.S. economy's share of world trade has decreased since 1947. **T F**
3. The United States exports and imports goods and services with a dollar value greater than any other nation in the world. **T F**
4. The United States is dependent on trade for certain commodities that cannot be obtained in domestic markets. **T F**
5. Canada is the most important trading partner for the United States in terms of the volume of exports and imports. **T F**
6. If a person, firm, or region has a comparative advantage in the production of a particular commodity, it should specialize in the production of that commodity. **T F**
7. If one nation has a comparative advantage in the production of a commodity over another nation, then it has a higher opportunity cost of production relative to the other nation. **T F**
8. The economic effects of specialization and trade between nations are similar to increasing the quantity of resources or to achieving technological progress. **T F**
9. The interaction of the demand for, and supply of, Japanese yen will establish the dollar price of Japanese yen. **T F**
10. An increase in incomes in the United States would tend to cause the dollar price of the Japanese yen to fall. **T F**
11. When the dollar price of another nation's currency increases, there has been an appreciation in the value of the dollar. **T F**
12. When the dollar depreciates relative to the value of the currencies of the trading partners of the United States, then goods imported into the United States will tend to become more expensive. **T F**
13. Export subsidies are government payments to reduce the price of a product to buyers from other nations. **T F**
14. Nontariff barriers include excise taxes or duties placed on imported goods. **T F**
15. Through world trade, an economy can reach a point beyond its domestic production possibilities curve. **T F**
16. One reason that trade restrictions get public support is that the alleged benefits of the restrictions are often immediate and clear-cut, but the adverse affects are often obscure and dispersed over the economy. **T F**
17. Tariffs and quotas benefit domestic firms in the protected industries and also help domestic consumers by lowering the prices for those products. **T F**

- 18.** The Smoot-Hawley Tariff Act of 1930 reduced tariffs in the United States to the lowest level ever in an attempt to pull the nation out of the Great Depression. **T F**
- 19.** If the United States concludes a tariff agreement that lowers the tariff rates on goods imported from another nation, the lower tariff rates are then applied to those goods when they are imported from other nations with most-favored-nation (MFN) status. **T F**
- 20.** The members of the European Union (EU) have experienced freer trade since it was formed. **T F**
- 21.** The economic integration of nations creates larger markets for firms within the nations that integrate and makes it possible for these firms and their customers to benefit from the economies of large-scale (mass) production. **T F**
- 22.** The formation of the European Union (EU) may make it more difficult for U.S. firms to compete for European customers with firms located within the Union. **T F**
- 23.** The 1993 North American Free Trade Agreement (NAFTA) includes all Central American nations. **T F**
- 24.** NAFTA is an example of the gains to be obtained from voluntary export restrictions. **T F**
- 25.** Major U.S. firms are unable to compete in global markets without significant protection from foreign competition. **T F**