International Marketing - Strategy and Theory 5th edition Onkvisit Test Bank

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1 Trade is a zero sum game.

(A) True

(B) False

Answer: (B) False

2 The principle of absolute advantage states that a country should import a commodity that can be produced at a lower cost than can other nations.

(A) True

(B) False

Answer: (B) False

3 If one nation has absolute advantage for all products, trade will not take place.

(A) True

(B) False

Answer: (B) False

4 As long as the domestic exchange ratio of the United States and that of Canada are identical, the United States should trade with Canada even though the United States may have absolute advantage in all products.

(A) True

(B) False

Answer: (B) False

5 If the domestic exchange ratio of the United States and that of Canada are identical, the United States should not trade with Canada even though the United States may have absolute advantage in all products.

(A) True

(B) False

Answer: (A) True

6 According to the principle of relative advantage, absolute production costs are irrelevant.

(A) True

(B) False

Answer: (A) True

7 Relative production costs can determine whether trade should take place, but they do not determine what items to export or import.

(A) True

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(B) False

Answer: (B) False

8 The principle of relative advantage suggests that a country should produce a product with the least comparative disadvantage.

(A) True

(B) False

Answer: (A) True

9 Because of trade, the two different domestic exchange ratios will be replaced by a new ratio called the world market exchange ratio or terms of trade.

(A) True

(B) False

Answer: (A) True

10 International trade is a function of the unequal domestic exchange ratios.

(A) True

(B) False

Answer: (A) True

11 A country that has absolute advantage in all products has nothing to gain from trading with other nations.

(A) True

(B) False

Answer: (B) False

12 Comparative advantage is a dynamic concept.

(A) True

(B) False

Answer: (A) True

13 One basic assumption of the principles of absolute and relative advantage is that the advantage is solely determined by labor.

(A) True

(B) False

Answer: (A) True

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14 German and Japanese firms are successful in international trade because of their low labor costs.

(A) True

(B) False

Answer: (B) False

15 Countries can remain competitive in spite of their higher wages.

(A) True

(B) False

Answer: (A) True

16 country's labor cost may be absolutely high and yet relatively low.

(A) True

(B) False

Answer: (A) True

17 Comparative advantage can be determined by abundance of factor endowments.

(A) True

(B) False

Answer: (A) True

18 According to the theory of factor endowment, the various regions of the world are equally well endowed with regard to production factors.

(A) True

(B) False

Answer: (B) False

19 According to the factor endowment theory, a country's comparative advantage is in the production factor that it lacks.

(A) True

(B) False

Answer: (B) False

20 The theory of factor endowment holds that the inequality of relative prices is a function of regional factor endowments.

(A) True

(B) False

Answer: (A) True

21 Countries have different costs and prices because they differ in the supply of the factors of production.

(A) True

(B) False

Answer: (A) True

22 Good governance can help a resource-abundant country to avoid the 'resource curse' phenomenon.

(A) True

(B) False

Answer: (A) True

23 The Human Development Index is highly correlated with the widely used measures of poverty.

(A) True

(B) False

Answer: (A) True

24 According to Michael Porter's theory of the Competitive Advantage of Nations, there are four major determinants of international competitiveness, and each determinant has no effect on the other determinants.

(A) True

(B) False

Answer: (B) False

25 According to Michael Porter's 'diamond,' a nation's competitive industries should be clustered.

(A) True

(B) False

Answer: (A) True

26 Michael Porter's 'diamond,' advocates that a nation should not cluster the industries.

(A) True

(B) False

Answer: (B) False

27 The evidence that the United States exports labor-intensive goods and imports capital-intensive goods is known as Leontief Paradox.

(A) True

(B) False

Answer: (A) True

28 Based on the factor endowment theory, developing countries should trade more with developed countries rather than among themselves.

(A) True

(B) False

Answer: (A) True

29 Developed countries tend to trade among themselves rather than with developing countries.

(A) True

(B) False

Answer: (A) True

30 While manufacturing jobs can be moved across countries, it is not easy to move knowledge-based jobs.

(A) True

(B) False

Answer: (B) False

31 Classical trade theories assume that factors of production are immobile.

(A) True

(B) False

Answer: (A) True

32 Production factors are now considered more mobile than previously assumed.

(A) True

(B) False

Answer: (A) True

33 Capital, as a factor of production, is mobile.

(A) True

(B) False

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Answer: (A) True

34 Classical trade theories ignore the marketing aspect of trade.

(A) True

(B) False

Answer: (A) True

35 Classical trade theories are concerned primarily with value-added products rather than with commodities.

(A) True

(B) False

Answer: (B) False

36 Countries forming a free trade area must have joint boundaries.

(A) True

(B) False

Answer: (B) False

37 Monetary union means adoption of multiple currencies.

(A) True

(B) False

Answer: (B) False

38 Economic union eliminates foreign exchange transaction costs and risks.

(A) True

(B) False

Answer: (A) True

39 An economic and monetary union (EMU) envisages total fiscal and monetary integration.

(A) True

(B) False

Answer: (A) True

40 For an economic and monetary union (EMU) to function effectively, member countries should have different economic conditions.

(A) True

(B) False

Answer: (B) False

41 'Social dumping' is a movement of business and jobs away from areas with high wages to areas with less organized labor forces and weak social-welfare policies.

(A) True

(B) False

Answer: (A) True

42 Economic cooperation results in trade creation as well as trade diversion.

(A) True

(B) False

Answer: (A) True

43 Economic integration encourages trade liberalization internally, while it promotes trade protection externally.

(A) True

(B) False

Answer: (A) True