

## Chapter 2

### *Managing the Global Economy since World War II: The Institutional Framework*

#### Multiple-Choice

1) States in the mercantilist period

- a) increased their technology exports.
- b) emphasized industrialization as a means of gaining wealth.
- c) helped establish territorial unification and state authority.
- d) viewed free trade as serving their interests.

*Answer: c; Page 19*

2) The 1944 Bretton Woods Conference resulted in the formation of the

- a) UNCTAD.
- b) OECD.
- c) GATT.
- d) IBRD.

*Answer: d; Page 17*

3) An example of a weighted voting institution is the

- a) UNCTAD.
- b) IMF.
- c) WTO.
- d) OECD.

*Answer: b; Page 23*

4) Britain shifted to free trade policies in the 1830s-40s to

- a) promote industrialization on the European continent.
- b) increase its agricultural exports.
- c) strengthen the Cobden-Chevalier Treaty with France. .
- d) increase its industrial exports.

*Answer: d; Page 19*

5) World Bank presidents have been

- a) only Americans
- b) only Americans and Europeans
- c) only Europeans
- d) Americans, Asians, and Europeans

*Answer: a; Page 26*

6) GATT

- a) became the main global trade organization after the ITO had functioned for only a few years.
- b) was comparable to the IMF and World Bank.
- c) was originally designed to be temporary.
- d) was formed at Bretton Woods.

*Answer: c; Page 22*

7) Hegemonic stability theorists argue that in the interwar period

- a) the United States was not yet willing to be the global hegemon.
- b) the United States was beginning to act as the global hegemon.
- c) Britain's power was declining but it was still the global hegemon.
- d) the United States was not yet able to be the global hegemon.

*Answer: a; Page 21*

8) Which of the following has been the most informal?

- a) GATT
- b) OECD
- c) UNCTAD
- d) IMF

*Answer: a; Page 22*

- 9) The human development index is sometimes used today to measure development because it
- a) is a better predictor of the future than the per capita GDP.
  - b) includes a measure of life expectancy.
  - c) includes the purchasing power parity.
  - d) includes a measure of political as well as economic well-being.

*Answer: b; Page 32*

- 10) The G7/G8 has performed well in

- a) negotiating agreements.
- b) regulating international capital flows.
- c) dealing with the issue of debt relief for LDCs.
- d) enforcing decisions.

*Answer: c; Page 31*

- 11) A country that was *not* a founding member of the IMF and World Bank was

- a) Yugoslavia
- b) Czechoslovakia
- c) Poland
- d) Hungary

*Answer: d; Page 40*

- 12) Judging by their actions, most civil society organizations are

- a) reformist.
- b) transformist.
- c) conformist.
- d) rejectionist.

*Answer: c; Page 43*

- 13) The main informal group dealing with global economic issues is the

- a) G77.
- b) G8.

- c) G20.
- d) G7.

*Answer: c; Page 31*

14) The functions of the World Bank evolved in response to

- a) the creation of the European Recovery Program.
- b) the competitive devaluation of currencies.
- c) the increase in protectionism.
- d) the shift to floating exchange rates.

*Answer: a; Page 22*

15) The G20 has become more important today primarily because

- a) the breakup of the Soviet bloc has expanded the reach of the capitalist global economy.
- b) the emerging economies now have more influence.
- c) globalization has spread to more countries.
- d) democratization has become a more important force in the world.

*Answer: b; Page 31*

### **True-False**

1) Britain was the largest industrial power until the end of World War I when the United States took over that position.

*Answer: False; Page 20*

2) The United States, Japan, Germany, Britain, and France (the G5) are the 5 countries with the most votes in the World Bank today.

*Answer: False; Page 26*

3) The GATT was not formed at the Bretton Woods Conference

*Answer: True; Page 17*

4) The KIEOs (the IMF, World Bank, and WTO) are all specialized agencies of the United Nations.

*Answer: False; Pages 22-23*

5) Purchasing power parity (PPP) based exchange rates do not take account of income inequalities.

*Answer: True; Page 32*

6) The G77 has become more important than the G7/G8 in dealing with problems affecting the global economy.

*Answer: False; Page 38*

7) All Directors-General of the WTO have been from developed countries.

*Answer: False; Page 26*

### **Fill in the Blank**

1) In 1930 the U.S. Congress passed the \_\_\_\_\_, which increased U.S. tariffs to their highest level in the twentieth century.

*Answer: Smoot-Hawley tariff; Page 20*

2) In 1846 Britain repealed its \_\_\_\_\_, which opened its market to agricultural imports and ushered in a period of free trade.

*Answer: Corn Laws; Page 19*

3) In 1860 Britain and France signed the \_\_\_\_\_, which produced a network of trade agreements lowering tariffs throughout Europe.

*Answer: Cobden-Chevalier Treaty; Page 19*

4) In 1964 LDCs expressed their dissatisfaction with the KIEOs by forming the

.

*Answer: Group of 77 (G77); Page 38*

5) In 1934 the U.S. Congress passed the \_\_\_\_\_, which delegated tariff-setting authority to the President.

*Answer: Reciprocal Trade Agreements Act; Page 21*

6) The first international financial organization, the \_\_\_\_\_, was established in Basle, Switzerland in 1930.

*Answer: Bank for International Settlements; Page 21*

7) The \_\_\_\_\_ is an international economic organization of 34 mainly DC members that usually operates through a system of mutual persuasion.

*Answer: Organization for Economic Cooperation and Development (OECD); Pages 28-29*

## **Essay**

1) What are the KIEOs? What problems have they confronted, and how have they adapted and changed over time?

*Pages 21-22*

2) Describe OPEC, the NIEs, and the BRIC economies, and discuss how they present a challenge to the dominance of the North.

*Pages 23 and 26*

3) What is the human development index (HDI) and what are its strengths and shortcomings? What is the IHDI?

*Pages 32-37*

4) In what ways were the IMF, World Bank, and GATT designed to prevent the economic problems that resulted in the Great Depression and World War II?

*Pages 21-22*

5) Who are the members of the G7/G8, and in what ways is it an informal grouping? Why do you think it was not established as a more formal organization? Is Russia an active member of the group?

*Pages 29-31*

6) What functions does the OECD perform, how does it operate, and how has its membership changed over time?

*Pages 28-29*

7) What are the advantages of using PPP-adjusted GDP figures, and what are its shortcomings? What is the Gini coefficient?

*Page 32*

8) What is the World Economic Forum? How does it contribute to a blurring of lines between “public” and “private” in the global political economy?

*Page 42*

9) What are civil society groups, how do they differ in their goals and tactics, and which type of civil society group is the most common?

*Page 43*

10) What is the resource curse, and does it apply to all countries that are rich in natural resources?

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