36 International specialisation

1 Which is most likely to result from greater specialisation in manufacturing?

A Consumers have more choice over individually made goods.

B Employees benefit from greater job satisfaction.

C Employees benefit from greater variety in the nature of their work.

D Households benefit from lower prices.

2 Which is most likely to be a direct benefit of specialisation to workers in a specific industry?

A employees becoming more skilled

B improved competitiveness

C improved labour productivity

D reduced wastage

3 Which best explains why top Hollywood actors earn extremely high incomes?

A It takes a relatively long time to train to become a top Hollywood actor.

B There is a high supply of Hollywood actors.

C There is low demand for Hollywood actors.

D Top Hollywood actors work on one or two movies only each year.

4 Which is a disadvantage of international specialisation?

A economies of scale

B efficiency gains

C improved international competitiveness

D increased labour turnover

5 Which is an advantage of a high degree of international specialisation?

A greater variety for consumers

B higher labour mobility

C lower average costs

D lower labour mobility

6 With the use of relevant examples, explain what is meant by the term *specialisation*. *[2 marks]*

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7 With the use of examples, explain how division of labour is a form of international specialisation. *[4 marks]*

8 Explain **two** reasons why specialisation can lead to higher incomes for workers. *[4 marks]*

9 Analyse why overspecialisation can be problematic for the economy. *[6 marks]*

10 With the use of examples, discuss the advantages and disadvantages of international specialisation for firms. *[8 marks]*

37 Globalisation, free trade and protection

1 Which is an objective of trade protection?

A to create domestic jobs

B to improve the economic efficiency of domestic industries

C to increase the demand for domestically produced goods and services

D to reduce the costs of international trade

2 Which method of trade protection is used to directly reduce the price of exports?

A embargoes **B** quotas **C** subsidies **D** tariffs

3 What is the name given to the act of selling exports at artificially low prices, below those charged by domestic firms, and often less than the cost of production?

A administrative barriers

B dumping

C embargoes

D subsidies

4 International trade that takes place without any form of protection (barriers to international trade) is called

A dumping.

B exchange.

C free trade.

D international relations.

5 Which is **not** a benefit of free international trade and exchange?

A choice

B economies of scale

C efficiency gains

D transportation costs

6 Define the term *trade protection*. *[2 marks]*

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7 Explain **two** economic reasons why the USA might import fewer cars from the European Union. *[4 marks]*

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8 Explain **two** benefits to an economy that engages in free international trade. *[4 marks]*

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9 Explain **two** methods that can be used to protect domestic industries from foreign competition. *[4 marks]*

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10 Discuss whether the government should protect domestic industries from foreign competition. *[8 marks]*

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38 Foreign exchange rates

1 Which is a drawback of using a fixed exchange rate system?

A a fall in the demand for exports

B a rise in the demand for imports

C the large opportunity cost of using foreign exchange reserves to maintain the fixed rate

D the uncertainty it creates for international trade and exchange

2 In a floating exchange rate system, what is the name given to a rise in the value of an exchange rate?

A appreciation

B depreciation

C devaluation

D revaluation

3 In which exchange rate system does the government intervene in the foreign exchange market to maintain its exchange rate at a predetermined level against other currencies?

A devalued

B fixed

C floating

D revalued

4 In which exchange rate system is the exchange rate determined by the market forces of demand for and supply of the currency?

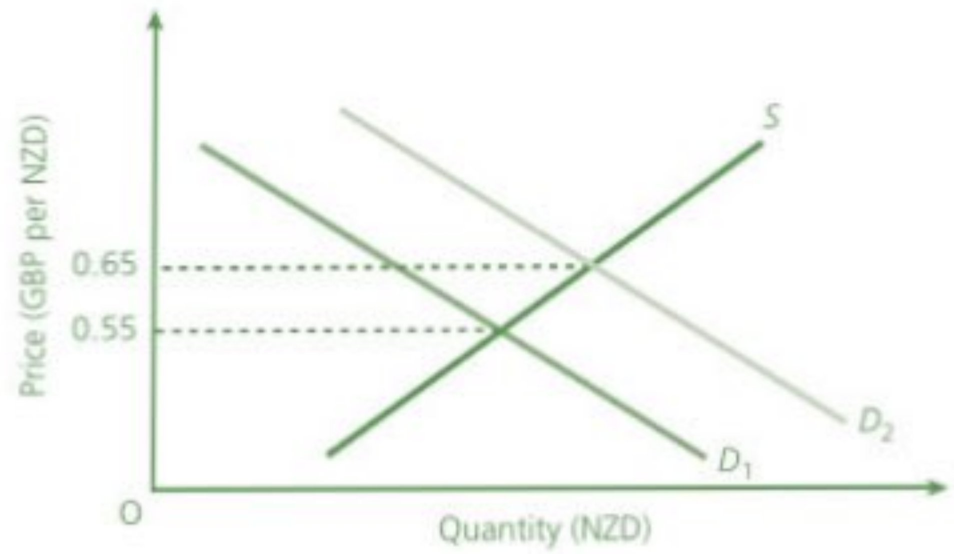
A fixed

B floating

C managed

D mixed

5 With reference to the diagram below, identify the option that does **not** explain the change in the exchange rate of the New Zealand dollar.



A an increase in interest rates in New Zealand

B greater demand from British households for New Zealand exports

C more British tourists visiting New Zealand

D more firms from New Zealand investing in Britain

6 Define the term *exchange rate*. *[2 marks]*

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7 Suppose the exchange rate between the US dollar (USD) and the euro (EUR) is USD1 = EUR0.73. Calculate the price for customers in Europe of buying textbooks priced at USD70 from the USA. *[2 marks]*

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8 Suppose the exchange rate between the British pound (GBP) and the Hong Kong dollar (HKD) is GBP1 = HKD10.5. Calculate how much it costs a British tourist (in pounds) to buy an iPad in Hong Kong that is priced at HKD6000. *[2 marks]*

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9 Suppose that the exchange rate between the Australian dollar (AUD) and the British pound (GBP) is AUD1 = GBP0.57 while that between the Australian dollar and the Hong Kong dollar (HKD) is AUD1 = HKD6. Calculate the exchange rate of the British pound against the Hong Kong dollar. *[2 marks]*

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10 Although the Chinese government controls the value of its exchange rate, it has been known to allow the yuan (the Chinese currency) to appreciate.

a Explain what is meant by an appreciation in the value of a currency. *[2 marks]*

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b Analyse the likely effects of China's currency appreciation on its exports and imports. *[6 marks]*

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39 Current account of balance of payments

1 What is the name of the record of a country's exports and imports of physical goods?

A the balance of payments

B the current account

C the invisible trade balance

D the visible trade balance

2 What is **not** part of a country's net income flows and transfers?

A bank deposits held in overseas banks

B interest, profits and dividends

C money sent home from people working abroad

D money spent on intangible products

3 What is the correct formula for calculating a country's current account on the balance of payments?

A trade balance + net exports

B visible balance + invisible balance

C visible trade balance + invisible trade balance + net income flows and transfers

D visible trade balance + invisible trade balance – net income flows and transfers

4 What is a result of a sustained current account deficit for the domestic economy?

A higher aggregate demand

B higher exchange rate

C higher standards of living

D higher unemployment

5 Which policy is **least** likely to result in an improvement in the current account of the country?

A lower exchange rate

B lower income taxes

C subsidies for export-driven firms

D trade protection policies

6 Using the data below, describe what has happened to the country's balance of trade. *[2 marks]*

Year	Invisible balance ($bn)	Visible balance ($bn)
1	15.2	12.3
2	16.7	13.4

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7 State any **two** components included in the current account of the balance of payments. *[2 marks]*

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8 Explain how it is possible for a country to have a deficit on its visible trade balance (trade in goods) but still have a current account surplus on its balance of payments. *[4 marks]*

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9 Study the data below and answer the questions that follow.

Trade balance for Country D ($billion)	
Exports	103
Goods	87
Services	....
Imports	113
Goods	87
Services	....
Visible balance	....
Invisible balance	10
Trade balance	....

a Define the term *visible balance*. *[2 marks]*

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b Calculate the missing figures in the data above for Country D. *[2 marks]*

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10 Analyse how a fall in the exchange rate can reduce a country's current account deficit on its balance of payments. *[6 marks]*

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