Chapter 2 Week 2

Quiz

1. What must a country typically do in exchange for assistance from an international financial institution?

* fire the head of its treasury
* agree to follow certain conditions
* make its economy more socialist
* launch an offering on the stock market

1. In which of the following ways does the World Bank facilitate development?

* by lending to national treasuries caught in a credit crunch
* by auctioning off a country’s most valuable assets
* by advising countries on how to manage their economies
* by financing large-scale infrastructure projects

1. Why does the IMF describe itself as a sort of “credit union”?

* It has branches in local areas all over the world.
* Its members both contribute money and borrow money.
* It charges low fees for its services.
* It is personally invested in the communities it serves.

1. According to Joseph Stiglitz, the former chief economist of the World Bank, what is the choice poor countries currently face?

* whether they should fund gas subsidies or health care subsidies
* whether they should pay off their debts or tackle corruption
* whether they should pay off their debts or fund health care and education
* whether they should pay off their debts or invest in an army

1. What measure have developing countries been taking to make up for the money they lost due to the recession?

* creating new and improved trade partnerships
* waging war with their neighbors in order to gain new assets
* borrowing even more money
* boycotting the United Nations

1. According to the economist William Easterly, which of the following is a result of current lending practices to poor countries?

* They are likely to embezzle all of the money.
* They are likely to fund public, not private, enterprises.
* They are likely to become addicted to credit.
* They are likely to improve their economies, but very slowly.

1. Which of the following was a consequence of poor countries’ “monetization” of their deficits?

* Inflation decreased rapidly.
* Citizens’ purchasing power decreased.
* The divide between government revenue and expenditures narrowed.
* National budgets were balanced.

1. What was the purpose of the speech given by U.S. Secretary of the Treasury James A. Baker in 1985?

* to scold the developing world for its poor economic performance and lack of leadership
* to convince the developing world to adopt various economic policies in use in developed nations
* to announce the creation of the International Monetary Fund (IMF) and the World Bank
* to criticize growing Soviet Union influence over the world’s financial affairs

1. In response to economic shocks, what are the two choices governments have, according to the author?

* the choice between nationalizing their industries or privatizing them
* the choice between spending the same amount of money or reforming spending patterns
* the choice between raising tariffs or lowering them
* the choice between developing a tourist industry or a financial industry

1. According to the author, why did negotiations between Manley and the IMF repeatedly break down?

* Manley received better lending terms from the Inter-American Development Bank.
* The IMF had very little interest in assisting nations in the Caribbean.
* Manley’s political opponents sabotaged his deals with the organization.
* Manley was unwilling to comply with the IMF’s demands.

1. What does it mean if a country has a “fixed” exchange rate?

* The value of the country’s currency is tied to the New York Stock Exchange.
* The value of the country’s currency is tied to the value of another currency.
* The value of the country’s currency is “fixed” to an arbitrary value that is adjusted every year.
* The value of the country’s currency is “fixed” by the IMF.

1. Which of the following statements about Barbados’s economic crisis is true?

* It revealed that only large nations can negotiate with international financial institutions.
* It revealed that international financial institutions such as the IMF are completely unyielding.
* It showed that national unity is important in successfully implementing economic reform.
* It demonstrated that a one-size-fits-all approach is always the best when it comes to economic reform.

1. How much of the Egyptian budget goes toward subsidies?

* one-half
* one-quarter
* three-quarters
* one-third

1. According to Moustafa Bassiouny, the economist interviewed in the clip, what effect do subsidies have on the Egyptian government’s finances?

* They have helped raise the government’s revenue.
* They have had a negligible effect on the country’s finances.
* They have forced the resignation of the minister of finance.
* They are a major cause of the country’s deficit.

1. According to the article, why has the EBRD chosen to finance a cement plant in Mongolia? Choose the BEST answer.

* The EBRD believes it will make a large amount of profit by investing in cement.
* The EBRD wants to thwart Japanese and Malaysian interest in Mongolia.
* There’s a market in Mongolia for cement that is of lower quality than cement imported from China.
* The project is seen as an opportunity to diversify Mongolia’s economy.