

File: ch01, Chapter 1: The International Business Imperative

Multiple Choice

1. International business combines the _____ and _____ of business.
- a) creativity; facts
 - b) science; art
 - c) reality; fantasy
 - d) good; bad
 - e) truths; falsehoods

Ans: b

Response: See page 4, Section: *The Need for International Business*

Level: Easy

AACSB: Analytic | Strategy

BT: Knowledge

2. _____ offers companies new markets.
- a) International business
 - b) Technology
 - c) Innovation
 - d) Franchising
 - e) Domestic expansion

Ans: a

Response: See page 4, Section: *The Need for International Business*

Level: Easy

AACSB: Analytic | Environmental Influence

BT: Knowledge

3. International business facilitates the mobility of all of the following factors of production EXCEPT:
- a) Technology
 - b) Capital
 - c) Laborers
 - d) Land
 - e) Managers

Ans: d

Response: See page 4, Section: *The Need for International Business*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Analysis

4. Transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations refers to:
- a) Outsourcing
 - b) Foreign direct investment
 - c) International business
 - d) Globalization
 - e) Entrepreneurship

Ans: c

Response: See page 5, Section: *A Definition of International Business*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

5. Which of the following is considered a primary type of international business?
- a) Domestic production
 - b) Management contracts
 - c) Franchising
 - d) Licensing
 - e) Export-import trade

Ans: e

Response: See page 5, Section: *A Definition of International Business*

Level: Hard

AACSB: Analytic | Environmental Influence

BT: Knowledge

6. New hires at a large packaging company are undergoing the last phase of job training. For this phase of the training, they are learning about international business. The training manager explains that it is critical that customers feel they are better off after the transaction than they were before. This describes which important aspect of international business?
- a) Customer satisfaction
 - b) Maximizing transactions

- c) Niche marketing
- d) Cutting costs
- e) Product differentiation

Ans: a

Response: See page 5, Section: *A Definition of International Business*

Level: Medium

AACSB: Reflective Thinking | Creation of Value

BT: Application

7. _____ markets can provide growth, profit, and needs satisfaction not available to those that limit their activities to the _____ marketplace.
- a) Service; manufacturing
 - b) Diverse; homogenous
 - c) International; domestic
 - d) Homogenous; service
 - e) Domestic; international

Ans: c

Response: See page 5, Section: *A Definition of International Business*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Analysis

8. Which of the following statements best summarizes the role of international business during the Roman Empire?
- a) International business did not have a vital role
 - b) International business was detrimental to prosperity during the Roman Empire
 - c) International business played a vital role in the formation of the Roman Empire
 - d) International business played a vital role in the decline of the Roman Empire
 - e) International business played a vital role in the formation and decline of the Roman Empire

Ans: e

Response: See page 6, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Analysis

9. _____ refers to the two relatively peaceful centuries in the Roman Empire.
- a) Pax Mediterranean

- b) Pax Romana
- c) Pax Americana
- d) Latin Peace
- e) European Peace

Ans: b

Response: See page 6, Section: *A Brief History*

Level: Easy

AACSB: Diversity | Environmental Influence

BT: Knowledge

10. The Han Empire resulted in stability within _____ for nearly four centuries.

- a) Africa
- b) India
- c) The Americas
- d) China
- e) Rome

Ans: d

Response: See page 6, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

11. During the Han Empire, trade expanded with the development of a system of trade routes to Central Asia that became known as the:

- a) Spice Road
- b) Road of Opportunity
- c) Roman Road
- d) Road to Prosperity
- e) Silk Road

Ans: e

Response: See page 6, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

12. How would one describe the trade relationship between the Roman and Chinese empires?

- a) It was based on direct communication between rulers of the two empires
- b) It was not direct and occurred through many intermediaries
- c) It was volatile
- d) Rome was more eager to trade with China than vice versa
- e) No trade relationship existed

Ans: b

Response: See page 6, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Analysis

13. The British Empire grew mainly through its effective:

- a) International business policy
- b) Domestic labor pool
- c) Use of resources
- d) Negotiation skills
- e) Services sector

Ans: a

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

14. Which of the following was a factor that led to the growth of the British Empire?

- a) Limited trade
- b) Closed markets
- c) Efficient transportation
- d) Technology sharing
- e) Outsourcing

Ans: c

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Analysis

15. _____ developed a world leadership position largely due to its championship of market-based business transactions, and the flow of ideas, goods, and services across national borders.
- a) Great Britain
 - b) Rome
 - c) China
 - d) Germany
 - e) The United States

Ans: e

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

16. An American peace beginning in 1945 that resulted in increased international business transactions is called:
- a) Pax Americana
 - b) The American Dream
 - c) Pax Romana
 - d) Western Peace
 - e) World Peace

Ans: a

Response: See page 7, Section: *A Brief History*

Level: Easy

AACSB: Diversity | Environmental Influence

BT: Knowledge

17. What is the name of the act that raised import duties in 1930 to reduce the volume of goods coming into the United States?
- a) Pax Americana
 - b) Warsaw Pact
 - c) Smoot Hawley Act
 - d) McAlexander Treaty
 - e) The Resource Protection Act

Ans: c

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Legal Responsibilities

BT: Knowledge

18. Carla Smith was a young girl in 1930, and she remembers when the United States passed a bill that raised import duties. Although the act was passed in the hope that it would restore domestic employment, Carla remembers that it only made things worse at the onset of the Great Depression. Carla remembers the:

- a) Cold War
- b) Smoot-Hawley Act
- c) Resource Protection Act
- d) McAlexander Treaty
- e) Pax Americana

Ans: b

Response: See page 7, Section: *A Brief History*

Level: Hard

AACSB: Reflective Thinking | Legal Responsibilities

BT: Application

19. Companies that invest in countries around the globe are best described as:

- a) Parent companies
- b) Offshore companies
- c) Globalized businesses
- d) Multinational corporations
- e) International companies

Ans: d

Response: See page 8, Section: *A Brief History*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

20. Following the economic downturn that began in 2007, it was expected that in terms of economic growth, _____ countries would bear the brunt of the decline.

- a) developed
- b) developing
- c) net-exporting
- d) net-importing
- e) isolationistic

Ans: a

Response: See page 8, Section: *A Brief History*

Level: Medium
AACSB: Analytic | Creation of Value
BT: Knowledge

21. Which of the following countries is expected to have continued economic growth during and despite the economic downturn that began in 2007?
- a) Canada
 - b) Brazil
 - c) Switzerland
 - d) Russia
 - e) France

Ans: b
Response: See page 8, Section: *A Brief History*
Level: Hard
AACSB: Diversity | Creation of Value
BT: Knowledge

22. International business has forged a network of _____ around the world that binds all countries, institutions, and individuals.
- a) institutional innovations
 - b) people connections
 - c) global links
 - d) geographical interfaces
 - e) information technologies

Ans: c
Response: See page 11, Section: *Global Links Today*
Level: Medium
AACSB: Analytic | Environmental Influence
BT: Analysis

23. Severe winter weather recently affected the Florida peninsula, damaging tens of thousands of acres of orange groves. This had an effect on orange juice supply, production, and pricing around the world. This example illustrates:
- a) The need for technological solutions to resolve problems of nature
 - b) The need to eliminate agriculture in the United States
 - c) The need for economic protectionist policies
 - d) Global links that bind all countries, institutions, and individuals
 - e) The need to outsource all agriculture products to warmer climates

Ans: d

Response: See page 11, Section: *Global Links Today*

Level: Hard

AACSB: Reflective Thinking | Environmental Influence

BT: Application

24. A few decades ago, it would have been impossible to produce parts for a car in more than one country and assemble it in another. This change illustrates how international business has brought a global reorientation in _____ strategies.
- a) services
 - b) agricultural
 - c) human resource
 - d) communication
 - e) production

Ans: e

Response: See page 12, Section: *Global Links Today*

Level: Hard

AACSB: Reflective Thinking | Operations Management

BT: Application

25. _____ firms such as consulting firms, insurance companies, and universities are participating to a growing degree in the international marketplace.
- a) Nonprofit
 - b) For-profit
 - c) High-tech
 - d) Manufacturing
 - e) Service

Ans: e

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

26. A multinational company recently built a factory in Nicaragua to take advantage of lower labor costs. However, high sulfur emissions from the new factory are causing acid rain within Nicaragua and in surrounding countries as well. This illustrates:
- a) The fact that climate change is a more serious problem than pollution

- b) The fact that pollution is a more serious problem than climate change
- c) The effects of globalization on the environment common to all
- d) The effects of globalization on developing countries versus developed countries
- e) The need to put a halt to globalization until environmental damages can be addressed or avoided

Ans: c

Response: See page 12, Section: *Global Links Today*

Level: Hard

AACSB: Reflective Thinking | Environmental Influence

BT: Application

27. In what year did the United States turn from being a net creditor to a net debtor to the world?

- a) 1980
- b) 1985
- c) 1990
- d) 1995
- e) 2000

Ans: b

Response: See page 12, Section: *Global Links Today*

Level: Hard

AACSB: Diversity | Creation of Value

BT: Knowledge

28. In recent years, what country has emerged as being the number one U.S. creditor?

- a) China
- b) Japan
- c) Germany
- d) Mexico
- e) Canada

Ans: a

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Diversity | Creation of Value

BT: Knowledge

29. _____ are owned by governments and managed specifically for investment purposes.

- a) Direct investment funds
- b) Divestiture funds
- c) Dividends
- d) Sovereign wealth funds
- e) Common funds

Ans: d

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Creation of Value

BT: Knowledge

30. _____ is the establishment or expansion of operations of a firm in a foreign country.

- a) Foreign direct investment
- b) Licensing
- c) Exporting
- d) Outsourcing
- e) Globalization

Ans: a

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

31. _____ changes are allowing for a faster and more user-intense information exchange in business, leading to new approaches in advertising, production, and consumption.

- a) Trade
- b) Ethical
- c) Cultural
- d) Production
- e) Technological

Ans: e

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Technology | Environmental Influence

BT: Analysis

32. Over the past decades and in a world of rapidly growing trade, the market share of _____ in trade has been declining.

- a) Central America
- b) Eastern Europe
- c) Western Europe
- d) India
- e) China

Ans: c

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

33. Which statement below best summarizes the United States' export and import shares in recent decades?

- a) The export share has increased while the import share has declined
- b) The export share has declined while the import share has increased
- c) Both export shares and import shares have declined
- d) Both export shares and import shares have increased
- e) There have been no changes in export shares and import shares in recent decades

Ans: b

Response: See page 4, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

34. Thanks to strong exports, the global market share of which region has increased?

- a) Western Europe
- b) Southeast Asia
- c) North America
- d) Latin America
- e) Antarctica

Ans: b

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

35. Composition of trade refers to the ratio of _____ to _____ in a country's trade.
- a) primary commodities; manufactured goods
 - b) agricultural commodities; manufactured goods
 - c) natural commodities; man-made commodities
 - d) primary commodities; secondary commodities
 - e) high-tech goods; low-tech goods

Ans: a

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

36. The trade role of primary commodities significantly declined worldwide during which time period?
- a) 1870s to the 1900s
 - b) 1900s to the 1930s
 - c) 1930s to the 1960s
 - d) 1960s to the 1990s
 - e) 1990 to today

Ans: d

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Creation of Value

BT: Knowledge

37. In what year did manufacturing in the United States peak to 30 percent of total U.S. jobs?
- a) 1915
 - b) 1930
 - c) 1960
 - d) 1975
 - e) 1990

Ans: c

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence
BT: Knowledge

38. In the past 30 years, German manufacturing employment has:

- a) Increased by 11 percent
- b) Increased only slightly
- c) Remained the same
- d) Dropped only slightly
- e) Dropped by 13 percent

Ans: e

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

39. In recent years, India has gained competitive advantage in providing radiology services. Radiology charts can now be transmitted from anywhere in the world. This change illustrates:

- a) The increasing mobility of services
- b) The rise in health care costs in developed countries
- c) The global reorientation of production strategies
- d) The financial crisis beginning in 2007
- e) The rising cost of real estate

Ans: a

Response: See page 15, Section: *Global Links Today*

Level: Hard

AACSB: Reflective Thinking | Environmental Influence

BT: Application

40. From a global perspective, the United States has:

- a) Gained prominence as a market and as a supplier
- b) Lost prominence as a market and as a supplier
- c) Gained prominence as a market but has lost some of its importance as a supplier
- d) Lost some of its importance as a market but has gained prominence as a supplier
- e) Not seen any changes for market prominence and supplier prominence

Ans: c

Response: See page 16, Section: *The Current U.S. International Trade Position*

Level: Medium
AACSB: Analytic | Environmental Influence
BT: Analysis

41. The _____ level refers to the level at which trading relationships affect individual markets.
- a) microeconomic
 - b) macroeconomic
 - c) global
 - d) transnational
 - e) localized

Ans: b
Response: See page 16, Section: *The Impact of International Business on the U.S.*
Level: Medium
AACSB: Analytic | Environmental Influence
BT: Knowledge

42. _____ is not only good in the international trade picture, but a key factor in increasing employment.
- a) Foreign direct investment
 - b) Importing
 - c) Exporting
 - d) Licensing
 - e) Franchising

Ans: c
Response: See page 16, Section: *The Impact of International Business on the U.S.*
Level: Medium
AACSB: Analytic | Creation of Value
BT: Knowledge

43. The _____ level refers to business concerns that affect an individual firm or industry.
- a) microeconomic
 - b) macroeconomic
 - c) global
 - d) transnational
 - e) localized

Ans: a

Response: See page 17, Section: *The Impact of International Business on the U.S.*
Level: Medium
AACSB: Analytic | Environmental Influence
BT: Knowledge

44. International business permits firms to hone their _____ skills abroad by meeting the challenges of foreign products.
- a) controlling
 - b) planning
 - c) communication
 - d) competitive
 - e) conceptualizing

Ans: d
Response: See page 17, Section: *The Impact of International Business on the U.S.*
Level: Medium
AACSB: Analytic | Creation of Value
BT: Knowledge

45. The increased mobility of goods, services, labor, technology, and capital throughout the world refers to:
- a) Nationalization
 - b) International business
 - c) Offshoring
 - d) Foreign direct investment
 - e) Globalization

Ans: e
Response: See page 18, Section: *The Impact of International Business on the U.S.*
Level: Easy
AACSB: Analytic | Environmental Influence
BT: Knowledge

True/False

46. International business combines the science and the art of business.

Ans: True

Response: See page 4, Section: *The Need for International Business*
Level: Easy
AACSB: Analytic | Environmental Influence
BT: Comprehension

47. On an individual level, it is unlikely that a student will become involved with international business enterprises during his or her career.

Ans: False
Response: See page 4, Section: *The Need for International Business*
Level: Easy
AACSB: Analytic | Individual Dynamics
BT: Comprehension

48. One of the disadvantages of international business is that it results in limited choices for the consumer.

Ans: False
Response: See page 4, Section: *The Need for International Business*
Level: Medium
AACSB: Analytic | Individual Dynamics
BT: Comprehension

49. International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations.

Ans: True
Response: See page 5, Section: *A Definition of International Business*
Level: Medium
AACSB: Analytic | Environmental Influence
BT: Comprehension

50. The Pax Romana referred to a pact that was signed between Roman and Han rulers to establish and protect international trade routes.

Ans: False
Response: See page 6, Section: *A Brief History*

Level: Medium
AACSB: Diversity | Environmental Influence
BT: Comprehension

51. The British Empire grew through its effective international business policy, which provided for efficient transportation, intensive trade, and an insistence on open markets.

Ans: True
Response: See page 7, Section: *A Brief History*
Level: Medium
AACSB: Diversity | Environmental Influence
BT: Comprehension

52. The Smoot-Hawley Act lowered import duties to establish more favorable trade relations with other countries in the wake of the Great Depression.

Ans: False
Response: See page 7, Section: *A Brief History*
Level: Medium
AACSB: Analytic | Legal Responsibilities
BT: Comprehension

53. Despite the sharp volume reductions of the economic downturn that began in 2007, developed countries such as Japan, Germany, and the United States are projected for continued growth.

Ans: False
Response: See page 8, Section: *A Brief History*
Level: Medium
AACSB: Diversity | Environmental Influence
BT: Comprehension

54. International business has forged a network of global links around the world that binds all countries, institutions, and individuals.

Ans: True
Response: See page 11, Section: *Global Links Today*

Level: Medium
AACSB: Analytic | Group Dynamics
BT: Comprehension

55. Over the last decade, manufacturing firms are increasingly part of the international scene.

Ans: False
Response: See page 12, Section: *Global Links Today*
Level: Medium
AACSB: Analytic | Environmental Influence
BT: Comprehension

56. Globalization is the establishment or expansion of operations of a firm in a foreign country.

Ans: False
Response: See page 12, Section: *Global Links Today*
Level: Medium
AACSB: Diversity | Environmental Influence
BT: Comprehension

57. Not only is the business environment changing, but the pace of technological change is accelerating.

Ans: True
Response: See page 14, Section: *Global Links Today*
Level: Medium
AACSB: Technology | Environmental Influence
BT: Comprehension

58. In the United States, the export share has increased while the import share has decreased.

Ans: False
Response: See page 14, Section: *Global Links Today*
Level: Medium
AACSB: Analytic | Environmental Influence

BT: Comprehension

59. In the past 30 years, German manufacturing employment has dropped by 13 percentage points, while in Japan the decrease was 6.5 percentage points.

Ans: True

Response: See page 14, Section: *Global Links Today*

Level: Hard

AACSB: Diversity | Environmental Influence

BT: Comprehension

60. The United States, Japan, and China combined maintained just under half of the world share of global manufacturing output in 2007.

Ans: False

Response: See page 15, Section: *Global Links Today*

Level: Hard

AACSB: Diversity | Environmental Influence

BT: Comprehension

61. Although U.S. exports have grown rapidly and successfully over the last few years, many new participants have entered the international market, resulting in a decline in the global market share of exports for the U.S.

Ans: True

Response: See page 16, Section: *The Current U.S. International Trade Position*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Comprehension

62. U.S. international business outflows are important on the macroeconomic level in terms of balancing the trade account.

Ans: True

Response: See page 16, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Comprehension

63. Importing is not only good in the international trade picture, but is a key factor in increasing employment.

Ans: False

Response: See page 16, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Comprehension

64. The microeconomic level is the level at which business concerns affect an individual firm or industry.

Ans: True

Response: See page 17, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Comprehension

65. Internationalization is the increased mobility of goods, services, labor, technology, and capital throughout the world.

Ans: False

Response: See page 18, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Comprehension

Fill-in-the-Blank

66. _____ causes the flow of ideas, services, and capital across the world.

Ans: International business

Response: See page 4, Section: *The Need for International Business*

Level: Easy

AACSB: Analytic | Environmental Influence

BT: Knowledge

67. The primary types of international business are export-import trade and _____.

Ans: foreign direct investment

Response: See page 5, Section: *A Definition of International Business*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

68. _____ refers to the two relatively peaceful centuries in the Roman Empire.

Ans: Pax Romana

Response: See page 6, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

69. The _____ grew mainly through its effective international business policy, which provided for efficient transportation, intensive trade, and an insistence on open markets.

Ans: British Empire

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Knowledge

70. _____ are companies that invest in countries around the globe.

Ans: Multinational corporations

Response: See page 8, Section: *A Brief History*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

71. International business has forged a network of _____ around the world that bind all countries, institutions, and individuals together.

Ans: global links

Response: See page 11, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Group Dynamics

BT: Knowledge

72. _____ are owned by governments and managed specifically for investment purposes.

Ans: Sovereign wealth funds

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Creation of Value

BT: Knowledge

73. _____ is the establishment or expansion of operations of a firm in a foreign country.

Ans: Foreign direct investment

Response: See page 12, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

74. _____ is the ratio of primary commodities to manufactured goods in a country's trade.

Ans: Composition of trade

Response: See page 14, Section: *Global Links Today*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

75. The _____ level is the level at which trading relationships affect individual markets.

Ans: macroeconomic

Response: See page 16, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

76. The _____ level is the level of business concerns that affect an individual firm or industry.

Ans: microeconomic

Response: See page 17, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

77. _____ is the increased mobility of goods, services, labor, technology, and capital throughout the world.

Ans: Globalization

Response: See page 18, Section: *The Impact of International Business on the U.S.*

Level: Medium

AACSB: Analytic | Environmental Influence

BT: Knowledge

Essay

78. Describe the need for international business.

Ans: Both as an opportunity and a challenge, international business is of vital concern to countries, companies, and individuals. Successful participation in international business holds the promise of improved quality of life and a better society, and may even lead to a more peaceful world. International business offers companies new markets, and new opportunities for expansion, growth, and income generation than does domestic business alone. International business causes the flow of ideas, services, and capital across the world. It also offers consumers new choices at lower costs, with higher quality and quantities available.

Response: See pages 4 and 5, Section: *The Need for International Business*

Level: Medium
AACSB: Analytic | Environmental Influence
BT: Synthesis

79. How do the terms “transaction” and “satisfaction” fit into the definition of international business?

Ans: The definition of international business focuses on transactions, and it is also closely linked to satisfaction. International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations. In terms of satisfaction, it is crucial that the participants in international business are satisfied. Only if they feel they are better off after the transaction than they were before, will individual business transactions develop into a business relationship.

Response: See pages 5, Section: *A Definition of International Business*

Level: Medium
AACSB: Analytic | Environmental Influence
BT: Synthesis

80. How did international business play a role in the rise and fall of the Roman Empire?

Ans: International business did play a vital role in the formation and decline of the Roman Empire. The Romans used the Pax Romana, or Roman peace, as a major stimulus. A second stimulus was the use of common coinage. Rome also developed a systematic law, central market, and an effective communication system. As international business flourished, the standard of living improved for Roman citizens. Soon city neighbors and tribes joined the empire as allies, agreeing to pay taxes because the benefits were greater than the drawbacks. When barbaric tribes ultimately overran the empire, they attacked an empire that was already substantially weakened at its foundations because of infighting and increasing decadence. Former allies, who no longer saw any benefits in their association with Rome, willingly cooperated with invaders instead.

Response: See page 6, Section: *A Brief History*

Level: Medium
AACSB: Diversity | Environmental Influence
BT: Synthesis

81. How did international business contribute to the rise in leadership power of the United States?

Ans: The United States developed a world leadership position largely due to its championship of market-based business transactions in the Western world. The U.S. supported the broad flow of ideas, goods, and services across national borders and encouraged international communication as well as transportation. The period of 1945 to 1990 became known as the Pax Americana, an American sponsored peace that led to increased international business transactions.

Response: See page 7, Section: *A Brief History*

Level: Medium

AACSB: Diversity | Environmental Influence

BT: Synthesis

82. How does international business impact the United States at the macroeconomic and microeconomic levels?

Ans: The macroeconomic level of international business is the level at which trading relationships affect individual markets. In contrast, the microeconomic level involves business concerns that affect an individual firm or industry. U.S. international business outflows are important on the macroeconomic level in terms of balancing the trade account. Exporting is not only good in the international trade picture, but a key factor in increasing employment. On the microeconomic level, participation in international business can help firms achieve economies of scale that cannot be achieved in domestic markets. Increasing production makes goods available more cheaply at home. International business also permits firms to hone their competitive skills abroad by meeting the challenge of foreign products.

Response: See pgs. 16, 17, Section: *The Impact of International Business on the U.S.*

Level: Hard

AACSB: Analytic | Environmental Influence

BT: Synthesis