PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	That the division of labor a limited by the size of the market best applies to which explanation of trade	A. Factor endowment theory B. Product life cycle theory C. Economies of scale theory D. Over lapping demand theory.
2	Mercantilism.	A. Is the philosophy of free international trade. B. Was a system of export promotion and barriers to imports practiced by government . C. Was praised by Adam Smith in the Wealth of Nations D. Both a and c
3	The trade model of the Swedish economists Hackscher and Ohlin maintains that.	A. Absolute advantage determines the distribution of the gain from trade B. Comparative advantage determines the distribution of the gains from trade. C. The division of labor is limited by the size of the world market D. A country exports goods for which its resource endowment are most suited.
4	Industrial policies intended to foster comparative advantage for domestic industries could result in the implementation of.	A. Research and development subsides. B. Loan guarantees C. Low interest rate loans D. All of the above
5	To be considered a good candidate for an export cartel a commodity should.	A. Be a manufactured good B. Be a primary product C. Have a high price elasticity of supply D. Have a low price elasticity of demand
6	Debit (-) items in the balance of payments correspond to anything that.	A. Involve receipts from foreigners B. Involves payments to foreigners C. Increase the domestic money supply D. Decrease the demand for foreign exchange
7	In the calculation of gross domestic product net exports are.	A. The sum of merchandise trade and services B. The current account plus long term capital C. The value of merchandise exports minus imports D. Short term capital plus the basic balance
8	According to the_____ the export of the product that embodies large amounts of the relatively cheap, abundant resorce results in an increase in its price and income of the resource used intensively in the import competing product decrease as its demand falls.	A. Ricardian equivalence theorem B. Smithian equivalence theorem C. Stolpher Samuelson theorem D. Bemanke Greenspan theorem
9	Similar to import tariffs import quotas tend to result in.	A. Higher prices ad reduced imports B. Increased government revenue C. Increases consumer surplus D. Decreased producer surplus
10	If a small country imposes a tariff on an imported goods terms of trade will	A. Improve B. worsen C. Not change D. any of the above
11	A specification of a maximum amount of a foreign produced good that will be allowed to enter the country over a given time period is referred to as a	A. Domestic subsidy B. Export subsidy C. Import quota D. Export quota

12	In the balance of payments, travel and tourism are included in the category of	A. unilateral transfers B. Capital account C. Merchandise account D. Services account
13	The difference between what consumers have to pay for a particular and what they are willing to pay is known as.	A. Consumer surplus B. Producer surplus C. Dead weight costs D. Dead weight surplus
14	Import substitution is an example of	A. The principle of comparative advantage B. The pricnipal of absolute advantage C. An outward looking growth strategy D. An inward looking growth strategy
15	Prohibiting a trade between two people	A. Will promote economic efficiency B. Probably Will inhibit productive efficiency C. Might be necessary if resources are to be put to their most highly valued uses D. Will have no effect on other persons.
16	A tariff -rate quota	A. Is a limit on the number of tariff that a country can place on imports B. Uses a single tariff along with import quotas to restrict imports C. Is decreased to avoid the price increase caused by simple tariffs D. Is a two tier tariff system intended to restrict imports
17	International trade in good sand services is sometimes used as a substitute for all of the following except.	A. Internationals movement of capital B. International movement of labor C. International movements of technology D. Domestic production of different goods and services.
18	Import quotas tend to result in all of the following except.	A. Domestic producers of the imported good being harmed B. Domestic consumers of the imported good being harmed C. Prices increasing in the importing country D. Price failing in the exporting country.
19	Which trade theory contends that a country that initially develops and exports a new product may eventually become an importer of it and may no lorger manufacture the product.	A. Theory of factor endearments B. Theory of overlapping demands C. Economies of scale theory D. Product life cycle theory.
20	The world trade organization is sometimes criticized for all of the following reasons except.	A. If reduces the sovereignty of member countries. B. Favors free trade over the quality of the environment C. It has no way to solve trade disputes among member countries. D. It is a "puppet" of multinational corporations