

PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	All of the following are debit items in the balance of payment except.	A. Capital outflows B. merchandise exports C. Private gifts to foreigners D. Foreign and granted to other nations
2	Industrial policies intended to foster comparative advantage for domestic industries could result in the implementation of.	A. Research and development subsidies. B. Loan guarantees C. Low interest rate loans D. All of the above
3	The _____ analyzes the income distribution effects of trade in the short run when resources are immobile among industries.	A. Stolpher Samuelson theory B. Factor endowment theory. C. Specific factor theory D. Over lapping demand theory
4	An important feature of a _____ is that the holder has the right , but not the obligation, to buy or sell currency	A. Swap B. Foreign exchange arbitrage C. Foreign exchange option D. Futures market contract
5	If the home country government grants a subsidy on a domestically produced good domestic producers tend to.	A. Capture the entire subsidy in the form of higher profits B. Increases their level of production C. Reduce wages paid to domestic workers D. Consider the subsidy as an increase in production cost
6	To help developing nations strengthen their international competitive rises many industrial nations have granted non nations under the .	A. International commodity engravement's program B. Multilateral contract program C. Generalized system of preferences program D. Export led growth program
7	Most tariffs have	A. Only revenue effects B. Only protective effects C. Both protective ad revenue effects D. Neither protective or revenue effects
8	A tax of 18 cents per unit of imported cheese would be an example of a.	A. Compound tariff B. Effective tariff C. Ad valorem tariff D. Specific tariff
9	The role of _____ is to direct one nation's savings into investments of another nation	A. Merchandise trade flows B. Service flows C. Current account flows D. Capital flows
10	In balance of payments accounting tourism and travel are classified in the	A. Merchandise trade account B. Services account C. Unilateral transfers account D. Capital account
11	The result of antidumping tariffs is to.	A. increase consumer surplus in the importing country B. Decrease producer surplus in the importing country C. Impose a price floor on foreign prices in the importing country D. Impose a price celling on foreign prices in the importing county
12	To stabilize the prices of primary products international commodity agreements have utilized all of the following except.	A. Tariff -rate quotas applied to imported goods. B. Production and export controls. C. Buffer stocks D. Multilateral contracts
		A. Different currencies are an obstacle to international trade

13	International trade is based on the notion that.	<p>B. Goods are more mobile internationally than are resources</p> <p>C. Resources are more mobile internationally than are goods</p> <p>D. A country's exports should always exceed its imports</p>
14	The difference between a country's balance of payments and its balance of international indebtedness.	<p>A. Is equal to official reserve transactions</p> <p>B. Occurs because of foreign exchange fluctuations</p> <p>C. Reflects statistical discrepancies</p> <p>D. Reflects the difference between flow and stock concepts</p>
15	The asset market approach is most helpful in explaining.	<p>A. Why exchange rates remain quite stable</p> <p>B. Why governments change their money supplies</p> <p>C. Long term exchange rate movements</p> <p>D. Short term exchange rate movements</p>
16	The exchange rate is kept the same across geographically separate markets by	<p>A. Hedging</p> <p>B. Speculation</p> <p>C. Government regulation</p> <p>D. Arbitrage</p>
17	A primary reason why nations conduct international trade is because.	<p>A. Some nations prefer to produce one thing while others produce another.</p> <p>B. Resources are not equally distributed to all trading nations</p> <p>C. Trade enhances opportunities to accumulate profits</p> <p>D. Interest rates are not identical in all trading nations</p>
18	The national security argument for protection is more likely to be valid when	<p>A. The purpose is to maintain protection for an indefinite time period.</p> <p>B. The industry is characterized by increasing returns to scale.</p> <p>C. The economy operates during a recession</p> <p>D. The protected industry provides invaluable goods during periods of war</p>
19	Comparative advantage is determined by	<p>A. Actual difference in labor productivity between countries.</p> <p>B. Relative difference in labor productivity between countries.</p> <p>C. Both a and b</p> <p>D. Neither a nor b</p>
20	The effect of the most favored nation clause is to.	<p>A. Eliminate all tariffs between countries</p> <p>B. Increase all tariff rates between countries.</p> <p>C. Maintain a nondiscriminatory structure of tariffs</p> <p>D. Maintain a discriminatory structure of tariffs</p>