

PPSC Economics Chapter 5 International Economics

Sr	Questions	Answers Choice
1	The difference between a country's balances of payments and its balance of international indebtedness.	A. Is equal of official reserve transactions B. Occurs because of foreign exchange fluctuations C. Reflects statistical discrepancies D. Reflects the difference between flow and stock concepts
2	If a country has a linear production possibilities frontier then production is said to be subject to.	A. Constant opportunity costs B. Decreasing opportunity costs C. First increasing and then decreasing opportunity costs D. Increasing opportunity costs
3	The earliest statement of the principle of comparative advantage is associated with	A. Adam Smith B. David Ricardo C. E. Heckscher D. Bertil Ohlin
4	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. Increase their level of production C. Reduce wages paid to domestic workers D. Consider the subsidy as an increase in production cost
5	The trade model of the Swedish economists Heckscher 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.
6	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
7	Import substitution is an example of	A. The principle of comparative advantage B. The principle of absolute advantage C. An outward looking growth strategy D. An inward looking growth strategy
8	If a small country imposes a tariff on an imported good its terms of trade will	A. Improve B. worsen C. Not change D. any of the above
9	According to the cost based definition of dumping occurs when a firm sells a product abroad at a price that is less than	A. Average total cost B. Average variable cost C. Average fixed cost D. Marginal cost
10	The most widely traded currency in the foreign exchange market is the.	A. Euro B. Chinese yuan C. British pound D. U.S. Dollar
11	Which exchange rate system does not require monetary reserves for official exchange rate intervention.	A. Floating exchange rates B. Pegged exchange rates C. Managed floating exchange rates D. Dual exchange rates
12	A depreciation of the dollar will have its most pronounced impact on imports if the demand for imports is.	A. Constant B. Inelastic C. Elastic D. Unit elastic

		D. Unitary elastic
13	Most tariffs have	A. Only revenue effects B. Only protective effects C. Both protective and revenue effects D. Neither protective or revenue effects
14	When one country provides most favored nation status for another if agrees to.	A. Change that nation's product a lower tariff than any other nations B. Charge that nation's products a tariff rate no higher than that on any other nation. C. Charge that nation's products a higher tariff than any other nation's D. Export to that nation any products that it wants to purchase
15	Quotas are government imposed limits on the ____ of goods trade between countries.	A. Prices B. Quantity C. Revenue D. Costs
16	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
17	The Hecksher Ohlin theory explains comparative advantage as the result of difference in countries.	A. Relative abundance of various resources. B. Relative costs of labor C. Economies of large scale production. D. Research and development expenditures.
18	When all of the debit or credit items in the balance of payments are combined	A. Merchandise imports equal merchandise exports B. Capital imports equal capital exports C. Services exports equal service imports D. the total surplus or deficit equals zero
19	International trade is based on the notion that.	A. Different currencies are an obstacle to international trade B. Goods are more mobile internationally than are resources C. Resources are more mobile internationally than are goods D. A country's exports should always exceeds its imports
20	The comparative advantage model of Ricardo was based on.	A. Interindustry specialization and trade B. Interindustry specialization and trade C. Demand conditions underlying specialization and trade D. Income conditions underlying specialization and trade
21	A tariff can _____ raise a country's welfare	A. Never B. Sometimes C. always D. None of the above
22	Those who argue in favor of import protection generally give the impression that such restricted trade will.	A. Decrease the level of national security B. Provide benefits to some particular industry C. Provide benefits to the entire nation D. Not yield welfare losses for the nation
23	The reduction or covering of foreign exchange risk is called.	A. Hedging B. Speculation C. Intervention D. Arbitrage
24	The arrangement where goods imported from trading partners in the developing world are subject to lower tariff rates than goods from other countries is referred to as.	A. Normal trade relation status B. Most favored nation status C. Most favored nation status D. Generalized system of preferences
		A. WTO B. GATT

25	The institutional framework developed in 1974 to promote trade liberalization is known as.	B. GATT C. IMF D. World bank
26	Which trade policy results in the government levying both a specific tariff and an advalorem tariff on imported goods.	A. Compound tariff B. Nominals tariff C. Effective tariff D. Revenue tariff
27	If the international terms of trade settle at a level that is between each country's opportunity cost.	A. There is no basis for gainful trade for either country B. Both countries gain from trade C. Only one country gains from trade D. One country gains and the other country loses from trade
28	A country transactions with the rest of the world are recorded in the	A. Balance of international indebtedness B. Balance of financial transactions C. Balance of payments D. Income statement
29	Multinational corporations	A. Always produce primary goods B. Always produce manufactured goods C. Products primary goods or manufactured goods D. None of the above
30	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
31	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
32	Which of the following organizations primarily provides long term loans to developing countries to help them develop their infrastructure such as schools hospitals and roads.	A. World Bank B. International Monetary fund C. Council on foreign Relations D. Organization of petroleum exporting countries
33	Riskless transactions to take advantage of profit opportunities due to a price differential or a yield differtial in excess of transaction costs are called.	A. Differential actions B. Cash transactions C. Arbitrage D. Forward transactions
34	Which exchange rate mechanism calls for frequent redefining of the par value by small amounts to remove payments disequilibrium.	A. Dual exchange rates B. Adjustable pegged exchange rates C. Managed floating exchange rates D. Crawing pegged exchange rates.
35	The exchange rate system that best characterizes the present international monetary arrangement used by industrialized countries is.	A. Freely fluctuating exchange rates B. Adjustable pegged exchange rates C. Managed floating exchange rate. D. Pegged or fixed exchange rates
36	The balance of trade can only worsen if income _____ relative to absorption	A. Increases B. Decreases C. Adjustment mechanism D. Currency contract period
37	The supply of foreign currency tends to be	A. Upward sloping B. Down ward sloping C. Vertical D. Any of the above
38	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<div> </div> C. Economies of scale theory D. Over lapping demand theory.
39	A nation wishing to reduce its current account deficit would be advised to.	A. Engage in more government spending. B. Reduce government taxes C. Increase private investment spending D. Decrease domestic consumption spending
		A. Why exchange rate remain quite stable

40	The asset market approach is most helpful in explaining.	<p> B. Why government change their money supplies C. Long term exchange rate movements D. Short term exchange rate movements </p>
41	According the Hacksher-Ohlin model the source of comparative advantage is a country's	<p> A. Technology B. Advertising C. Factor endowments D. both a and c </p>
42	If import licenses are auctioned off to domestic importers in a competitive market their scarcity value accrue to.	<p> A. Foreign corporations B. Foreign workers C. Domestic corporations D. The domestic government </p>
43	International trade in goods and services tends to	<p> A. Increase all domestic costs and prices B. Keep all domestic costs and prices at the same level C. Lessen the amount of competition facing home manufactures. D. Increase the amount of competition facing home manufacturers </p>
44	Which industrialization policy has developing countries used which places emphasis on the comparative advantage principle as a guide to resource allocation.	<p> A. Export promotion B. Import substitution C. International commodity agreements D. Multilateral contracts. </p>
45	Investors engage in _____ when they move funds into foreign currencies in order to take advantage of interest rates abroad the are higher than domestic interest rates.	<p> A. Currency arbitrage B. Interest arbitrage C. Short positions D. Long positions </p>
46	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	<p> A. Domestic subsidy B. Export subsidy C. Import quota D. Export quota </p>
47	If tastes are identical between countries then comparative advantage is determined by	<p> A. Supply conditions only B. Demand conditions only C. Supply and demand conditions D. Can't tell without more information. </p>
48	Mercantilism.	<p> 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 </p>
49	In the classical model of Ricardo the direction of trade is determined by	<p> A. Absolute advantage B. Comparative advantage C. Physical advantage D. Which way the wind blows </p>
50	Prohibiting a trade between two people	<p> 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. </p>
51	_____ policies attempt to foster industrialization by establishing high barriers to import of foreign goods to promote local production.	<p> A. absolute advantage B. Comparative advantage C. Export led growth D. Import substitution </p>
52	Developing countries that concentrate production in agricultural products or raw materials may face a long run decline in their international terms of trade because of.	<p> A. Inelastic demand for these products in advanced countries. B. Large increase in the supplies of these products on world markets because of export expansion polices C. sluggish demand for these products in advanced countries D. All of the above </p>
53	Similar to import tariffs import quotas tend to result in.	<p> A. Higher prices ad reduced imports B. Increased government revenue C. Increases consumer surplus D. Decreased producer surplus </p>

54	The theory of _____ suggests that government can assist domestic companies in capturing economic profits from foreign competitors	A. International dumping B. Countervailing duties C. Strategic trade policy D. Export promotion policy
55	_____ represent the most widely used tool in international finance for measuring the average value of a currency relative to a number of other currencies	A. Nominal exchange rates B. Real exchange rates C. Cross exchange rates D. Exchange rate indexes
56	Which financial instruments provide a buyer the right to purchase or sell a fixed amount of currency at a prearranged price within a few days to a couple of years.	A. Letter of credit B. Foreign currency option C. Cable transfer D. Bill of exchange
57	Advocates of industrial policy maintain that government should.	A. Pursue free trade as a policy that leads to maximum global efficiency B. Grant subsidies to firms offering potential comparative advantage. C. Provide loans to domestic workers in exporting industries. D. Increase interest rates on loans made to firms in import competing industries.
58	The current account includes	A. The value of trade in merchandise B. Services C. Unilateral transfers D. All of the above
59	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 falling in the exporting country.
60	Should international transportation costs decrease the effect on international trade would include a.	A. Increases in the volume of trade B. Smaller gain from trade C. Decline in the income of home producers D. Decrease in the level of specialization in production.
61	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
62	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
63	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
64	The gain from international trade are closely related to.	A. the labor theory of value B. How much the autarky price differs from international terms of trade change. C. The fact that a country must lose from trade D. All of the above
65	International trade forces domestic firms to become more competitive in terms of.	A. The introduction of new products B. Product design and quality C. Product price D. All of the above
66	A tax of 17 percent per imported item would be an example of a	A. Ad valorem tariff B. Specific tariff C. effective tariff D. Compound tariff
67	Credit (+) items in the balance of payments correspond to anything that.	A. Involves receipts from foreigners B. Involves payments to foreigners C. Increases the domestic money

		supply D. Decrease the demand for foreign exchange
68	The balance of trade can only worsen if income_____ relative to absorption	A. Increases B. Decreases C. Does not change D. None of the above
69	The exchange rate is kept the same across geographically separate markets by	A. Hedging B. Speculation C. Government regulation D. Arbitrage
70	Small nations with more than one major trading partner tend to peg the value of their currencies to.	A. gold B. silver C. a single currency D. a basket of currencies
71	According to the Heckscher - Ohlin model	A. ^{Every one automatically gains from trade} B. The gainers from trade outnumber the losers from trade C. The scarce factor necessarily gains from trade D. None of the above
72	That the division of labor is limited by the size of the market best applies to which explanation of trade.	A. Factor endowment theory B. Product life cycle theory C. Economics of scale theory D. Overlapping demand theory
73	The factor endowment model of international trade was developed by.	A. Adam Smith B. David Ricardo C. John Stuart Mill D. Eli Heckscher and Beril Ohlin
74	A tariff that prohibits imports has only	A. a revenue effect and redistribution effect B. Revenue effect and protection effect C. Consumption effect and protection effect D. Redistribution effect and consumption effect
75	according to factor price equalization theorem, if country A is labor abundant then once trade opens.	A. Wages and rents should fall in A B. Wages and rents should rise in A C. Wages should rise and rents should fall in A D. Wages should fall and rents should rise in A
76	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
77	_____ is said to exist when the formation of a regional trading group leads to the reduction of trade with nonmember countries in favor of member countries.	A. Trade creation B. Trade diversion C. Trade exclusion D. Trade distortion
78	Anti dumping duties applied to imported goods.	A. Are abolished by the world Trade Organization B. Result in decreases in consumer surplus for domestic households C. Are imposed by industrial countries but not developing countries. D. Result in lower priced goods for domestic consumers
79	A primary reason why nations conduct international trade is because.	A. some nations prefer to produce one thing while others produce another. B. Resources are not equally distributed to all trading nations C. Trade enhances opportunities to accumulate profits D. Interest rates are not identical in all trading nations
80	Debit entries on the balance of payments are the entries that would.	A. Mean a loss of foreign exchange B. Bring foreign exchange into the country C. Indicate a surplus exists

		D. Exist at the bottom line a after all accounts are totaled.
81	The factor endowment theory was pioneered by	A. Adam Smith B. David Richardo C. Wassily Leontief D. Eil Heckscher and Bartill Ohlim
82	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
83	In developed countries tariffs on raw materials tend to be.	A. Highest of all B. Higher than on manufactured goods C. Equal to tariffs on manufactured goods D. Lower than on manufactured goods
84	According to the Hackscher - Ohlin model the source of comparative advantage is a country's	A. Technology B. Advertising C. Factor endowments D. both a and c
85	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
86	The product cycle theory of trade is essentially a	A. Static short run trade theory B. Dynamic, long run trade theory C. Zero sum theory of trade D. Negative sum theory of trade
87	According to the factor endowment model of Hackshcer and Ohlin countries heavily endowed with land will.	A. Devote excessive amounts of resources to agricultural production. B. Devote insufficient amounts of resources to agricultural production C. Export products that are and intensive. D. Import products that are land intensive
88	Should international transpiration costs decrease, the effect on international trade would include a.	A. Increase in the volume of trade B. smaller gain from trade C. Decline in the income of home producers D. Decrease in the level of specialization production.
89	If a country has a bowed out production possibility frontier then production is said to be subject to.	A. Constant opportunity costs B. Decreasing opportunity costs C. First increasing and than decreasing opportunity costs D. Increasing opportunity costs
90	Intra industry trade therory.	A. Explains why the United States might export autos and import clothing B. Explains why the united states might export and import differentiated versions of the same product such as different type of autos. C. Assumes that transport costs are very low or do not exist D. Ignores seasonal considerations for agricultural goods
91	Absolute advantage is determined by	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. Both a and b D. Neither a nor b
92	International trade is based on the idea that	A. Exports should exceed imports B. Imports should exceed exports C. Resources are more mobile internationally than are goods D. Resources are less mobile internationally than are goods
93	The relationship between the exchange rate ad the prices of tradable goods is known as the.	A. Purchasing power parity theory B. Asset markets theory C. Monetary theory D. Balance of payments theory

94	A country that is a net international debtor initially experiences a.	<p>A. Larger savings pool available finance domestic spending</p> <p>B. Higher interest rate which leads lower domestic investment.</p> <p>C. Loss of funds to trading partners overseas</p> <p>D. Decrease in tis services exports to other countire.</p>
95	A _____ is a regional trading block in which member countries eliminate intercanal trade barriers but maintain existing barriers against countries that are not members.	<p>A. Free trade area</p> <p>B. Customs union</p> <p>C. Common market</p> <p>D. Monetary union</p>
96	To be considered a good candidate for an export cartel a commodity should.	<p>A. Be a manufactured good</p> <p>B. Be a primary product</p> <p>C. Have a high price elasticity of supply</p> <p>D. Have a low price elasticity of demand</p>
97	All of the following are credit items in the balance of payments except.	<p>A. Investment inflows</p> <p>B. Merchandise exports</p> <p>C. Payment for American service's to foreigners</p> <p>D. Private give to foreign residents</p>
98	All of the following are trade problems of developing countries except.	<p>A. Unstable export markets</p> <p>B. improving terms of trade</p> <p>C. Limited access to the markets of industrial countries</p> <p>D. Highly elastic demand curves for their products.</p>
99	The NAFTA is a	<p>A. Monetary union</p> <p>B. Free trade area</p> <p>C. Common market</p> <p>D. Customs union</p>
100	A main advantage of specialization results from	<p>A. Economics of large scale production</p> <p>B. The specializing country behaving as a monoploidy.</p> <p>C. smaller production runs resulting in lower unit costs</p> <p>D. High wages paid to foreign workers</p>
101	Trade based on comparative advantage assures that.	<p>A. Only the strongest suvrive</p> <p>B. Some people are rich and others are poor</p> <p>C. Each item is produced using the least amount of time needed to produce it</p> <p>D. Each item is produced at as low a cost possible in terms of other things given up</p>
102	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 longer manufacture the product.	<p>A. Theory of factor endearments</p> <p>B. Theory of overlapping demands</p> <p>C. Economies of scale theory</p> <p>D. Product life cycle theory.</p>
103	In the balance of payments, travel and tourism are included in the category of	<p>A. unilateral transfers</p> <p>B. Capital account</p> <p>C. Merchandise account</p> <p>D. Services account</p>
104	The least common type of transaction in the foreign exchanges is a.	<p>A. Forward transaction</p> <p>B. Spot transaction</p> <p>C. Swap transaction</p> <p>D. None of the above</p>
105	All of the following are fundamental to the world trade organization except.	<p>A. Bilateral tariff reductions to promote trade liberalization.</p> <p>B. the use of the most favored nation clause</p> <p>C. Nondiscrimination trading relationships</p> <p>D. The prohibition of import quotas and export quotas</p>
106	Direct investment and security purchases are classified as.	<p>A. Capital account transactions</p> <p>B. Current account transactions</p> <p>C. Unilateral transfer transactions</p> <p>D. Merchandise trade transactions</p>

A. Invisble receipts from foreigners

107	Debit (-) items in the balance of payments correspond to anything that.	<p>A. involve receipts from foreigners</p> <p>B. Involves payments to foreigners</p> <p>C. Increase the domestic money supply</p> <p>D. Decrease the demand for foreign exchange</p>
108	A product will be traded only if the pre trade price difference between the two countries	<p>A. Is less than the cost of transporting it between them</p> <p>B. is greater than the cost of transporting it between them</p> <p>C. Equals the cost of transporting it between them</p> <p>D. More information is needed to answer this question</p>
109	Dynamic gains from trad could result from	<p>A. The stimulus of additional investment spending as markets open</p> <p>B. Economies of large scale production as markets open</p> <p>C. Additional competition made possible by the opening of markets</p> <p>D. All of the above</p>
110	Current account deficits are offset by	<p>A. Merchandise trade deficits</p> <p>B. Merchandise trade surpluses</p> <p>C. Capital /financial account surpluses</p> <p>D. Capital /financial account deficits</p>
111	Tariff levels in advanced countries tend to be ____ tariff levels in developing countries.	<p>A. Higher than</p> <p>B. Equal to</p> <p>C. Lower than</p> <p>D. There is no general pattern</p>
112	currency speculation is_____ if speculators bet against market forces that cause exchange fluctuations, thus moderating such fluctuations.	<p>A. Destabilizing</p> <p>B. Stabilizing</p> <p>C. Inflationary</p> <p>D. Deflationary</p>
113	When the price of foreign currency exchange is above the equilibrium level.	<p>A. An excess demand for that currency exists in the foreign exchange market.</p> <p>B. An excess supply of the currency exists in the foreign exchange market</p> <p>C. The demadn for foreign exchange shifts outward to the right</p> <p>D. The demand for foreign exchange shifts backward to the left.</p>
114	If export's are a constant proportion of GNP such that $E = 18 \text{ GNP}$, find the level of imports that would represent a zero trade balance when $\text{GNP} = 10,000$	<p>A. 180</p> <p>B. 555</p> <p>C. 1,800</p> <p>D. 5,555</p>
115	Ad valorem tariffs are collected as.	<p>A. Fixed amounts of money per unit traded</p> <p>B. A percentage of the price of the product</p> <p>C. A percentage of the quantity of imports</p> <p>D. All of the above</p>
116	The theory of overlapping demands predicts that trade in manufactured goods is unimportant for countries with very different.	<p>A. Tastes and preferenes</p> <p>B. Expectations of future interest rate levels</p> <p>C. Per capita income levels</p> <p>D. Labor productivities</p>
117	increase foreign competition tend to.	<p>A. Intensify inflationary pressure at home</p> <p>B. Induce falling output per worker hour for domestic workers</p> <p>C. Place constraints on the wages of domestic workers</p> <p>D. Increase profits of domestic import competing industries.</p>
118	the_____ analysis considers the ability of domestic and foreign prices to adjust to devaluation in the short run.	<p>A. Pass through</p> <p>B. Absorption</p> <p>C. Adjustment mechanism</p> <p>D. currency contract period</p>
119	International trade in good sand services is sometimes used as a substitute for all of the following except.	<p>A. Internationals movement of capital</p> <p>B. International movement of labor</p> <p>C. International movements of technology</p> <p>D. Domestic production of different</p>

		goods and services.
120	The organization that currently establishes rules of conduct for firms engaging in international trade is the.	A. World Bank B. International Trade commission C. Department of Justice D. World Trade Organization
121	Which exchange rate mechanism is intended to insulates the balance of payments from short term capital movements while providing exchange rate stability for commercial transactions.	A. Dual exchange rates B. Managed floating exchange rates C. Adjustable pegged exchange rates D. Crawling pegged exchange rates.
122	The national security argument for protection is more likely to be valid when	A. The purpose is to maintain protection for an indefinite time period. B. The industry is characterized by increasing returns to scale. C. the economy operates during a recession D. The protected industry provides invaluable goods during periods of war
123	When the price of foreign currency the exchange is above the equilibrium level.	A. an excess supply of that currency exists in the foreign exchange market. B. an excess demand for that currency exists in the foreign exchange market C. The supply of foreign exchange shifts outward to the right D. the supply of foreign exchange shifts backward to the left
124	A current account surplus implies that	A. The country is a net lender to the rest of the world B. The country is running a net capital account surplus C. Foreign investment in domestic securities is at very low levels D. All of the above
125	A feasible effect of international trade is that a	A. Monopoly in the home market become an oligopoly in the world market B. Oligopoly in the home market becomes a monopoly in the world market C. Purely competitive firm in the home market becomes an oligopolistic D. Purely competitive firm in the home market becomes a monopolist
126	According to the factor price equalization theorem, the _____ factor should oppose free trade policies in any given country.	A. Abundant B. scarce C. Neither D. Can't tell without more information
127	The _____ analyzes the income distribution effects of trade in the short run when resources are immobile among industries.	A. Stolper Samuelson theory B. Factor endowment theory. C. Specific factor theory D. Over lapping demand theory
128	Nontariff trade barriers could include all of the following except.	A. Domestic content laws B. Government procurement polices C. Health , safety, and environmental standards D. Antidumping counter/vialling duties applied to imports.
129	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
130	Poor developing countries typically impose _____ tariffs than rich advanced nations on imports.	A. Lower B. Higher C. About the same height D. None of the above
131	Which of the following strategies have developing countries not used to deal with the problem of unstable export markets	A. Multilateral contracts B. Production and export controls

	problem or unstable export markets.	C. Buffer stock arrangements D. Tariff rate quotes
132	When imports from a higher cost supplier within a customs union replace imports from a lower cost supplier outside the custom union, there exists.	A. Trade creation B. Trade diversion C. Dynamic welfare effects D. Comprehensive welfare effects
133	A sudden shift from import tariffs to free trade may induce short term unemployment in.	A. Import competing industries B. Industries that are only exporters C. Industries that sell domestically as well as export D. Industries that neither import nor export
134	The term of trade is given by the prices.	A. Paid to all goods exported by the home country B. Received for all goods exported by the home country C. Received for exports and paid for imports. D. Of primary products as opposed to manufactured products.
135	Exchange rate overshooting often occurs because.	A. Domestic prices adjust slowly to shifts in demand B. Military spending increases during military's conflicts C. Elasticities are smaller in the long run than the short run D. Elasticities are smaller in the short run than the long run.
136	Small nations whose trade and financial relationships are mainly with a single partner tend to utilize.	A. Pegged exchange rates B. Freely floating exchange rates C. Managed floating exchange rates D. Crawling exchange rates.
137	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
138	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
139	Specific tariffs are collected as	A. Fixed amount of money per unit traded B. a percentage of the price of the product C. A percentage of the quantity of imports D. All of the above
140	The effect of the most favored nation clause is to.	A. Eliminate all tariffs between countries B. Increase all tariff rates between countries. C. Maintain a nondiscriminatory structure of tariffs D. Maintain a discriminatory structure of tariffs
141	Comparative advantage is determined by	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. Both a and b D. Neither a nor b
142	_____ are quotas that lead to a complete abolishment of trade.	A. Nontariff barriers B. Embargoes C. Voluntary export restraints D. Orderly marketing agreements
143	The movement to free international trade is most likely to generate short term unemployment in which industries'.	A. Industries in which there are neither imports nor exports B. Import competing industries. C. Industries that sell to domestic and foreign buyers D. Industries that sell to only foreign buyers

144	A widely used indicator to differentiate developed countries from developing countries is.	A. International trade per capita B. Real income per capita C. Unemployment per capita D. Calories per capita
145	A nation with a current account deficit will be	A. Lending more money to other nations B. Experiencing a surplus in exports of goods and services C. Reducing its indebtedness to other nations D. Going further into debt with other nations
146	According to the _____ the export of the product that embodies large amounts of the relatively cheap, abundant resource 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. Stolper Samuelson theorem D. Bemanke Greenspan theorem
147	The difference between bid rates and ask rates is called the	A. Profit B. Arbitrage C. Spread D. Forward transaction
148	Among the institutions and policies that have been created to support developing countries are.	A. the World bank B. The international Monetary Fund C. The Generalized system of Preferences D. All of the above
149	International dumping may involve.	A. Selling goods to foreigners at a price below that charged domestic consumers B. Selling goods to foreigners at a price below the cost of production C. antidumping duties being levied on the imported dumped goods D. All of the above
150	Wassily Leontief used an input output table in order to test the.	A. Richardian theory of comparative advantage B. Heckscher Ohlin theory of comparative advantage. C. Linder theory of overlapping demand D. All of the above
151	In today world most countries impose tariffs	A. Only on imports B. Only on exports C. On both imports and exports D. On imports exports and nontrade goods
152	The "balance of trade" is a record of.	A. Exports and imports of financial assets B. The current account plus capital account C. The net export of goods and services D. The value of merchandise exports minus imports
153	If a nation has an open economy it means that the nation.	A. Allows private ownership of capital B. Has flexible exchange rates C. Has fixed exchange rates D. Conducts trade with other countries