

PPSC Economics Topic 5 International Economics

| Sr | Questions | Answers Choice |
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| 1 | Which industrialization policy has developing countries used which places emphasis on the comparative advantage principle as a guide to resource allocation. | A. Export promotion B. Import substitution C. International commodity agreements D. Multilateral contracts. |
| 2 | 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 |
| 3 | Most tariffs have | A. Only revenue effects B. Only protective effects C. Both protective and revenue effects D. Neither protective or revenue effects |
| 4 | 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 |
| 5 | 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 |
| 6 | 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. Overlapping demand theory |
| 7 | 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 |
| 8 | 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. |
| 9 | 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. |
| 10 | 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 |
| 11 | All of the following are credit items in the balance of payments except. | A. Investment inflows B. Merchandise exports C. Payment for American service's to D. Payment for American service's to |

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| | | foreigners D. Private give to foreign residents |
| 12 | The difference between bid rates and ask rates is called the | A. Profit B. Arbitrage C. Spread D. Forward transaction |
| 13 | 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 |
| 14 | 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 |
| 15 | Similar to import tariffs import quotas tend to result in. | A. Higher prices and reduced imports B. Increased government revenue C. Increases consumer surplus D. Decreased producer surplus |
| 16 | Should international transportation 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. |
| 17 | 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 |
| 18 | A country's 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 |
| 19 | 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 |
| 20 | 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 |