

PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	Small nations whose trade and financial relationships are mainly with a single partner tend to utilize.	<p>A. Pegged exchange rates</p> <p>B. Freely floating exchanged rates</p> <p>C. Managed floating exchange rates</p> <p>D. Crewing exchange rates.</p>
2	The current account includes	<p>A. The value of trade in merchandise</p> <p>B. Services</p> <p>C. Unilateral transfers</p> <p>D. All of the above</p>
3	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>
4	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</p> <p>B. Interest arbitrage</p> <p>C. Short positions</p> <p>D. Long positions</p>
5	The earliest statement of the principle of comparative advantage in associated with	<p>A. Adam Smith</p> <p>B. David Ricardo</p> <p>C. E . Heckscher</p> <p>D. Bertil Ohlin</p>
6	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>
7	Wassily Leontief used an input output table in order to test the.	<p>A. Richardian theory of comparative advantage</p> <p>B. Heckscher Ohlin theory of comparative advantage.</p> <p>C. Linder theory of overlapping demand</p> <p>D. All of the above</p>
8	according to factor price equalization theorem, if country A is labor abundant then once trade opens.	<p>A. Wages and rents should fall in A</p> <p>B. Wages and rents should rise in A</p> <p>C. Wages should rise and rents should fall in A</p> <p>D. Wages should fall and rents should rise in A</p>
9	Trade based on comparative advantage assures that.	<p>A. Only the strongest survive</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>
10	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>
11	That the division of labor is limited by the size of th market best applies to which explanation of trade.	<p>A. Factor endowment theory</p> <p>B. Product like cycle theory</p> <p>C. Economics of scale theory</p> <p>D. Over lapping demand theory</p>
12	_____ represent the most widely used tool in international finance for measuring the average value of a currency relative to a number of other currencies	<p>A. Nominal exchange rates</p> <p>B. Real exchange rates</p> <p>C. Cross exchange rates</p> <p>D. Exchange rate indexes</p>
13	The difference between bid rates and ask rates is called the	<p>A. Profit</p> <p>B. Arbitrage</p> <p>C. Spread</p>

		D. Forward transaction
14	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
15	A product will be traded only if the pre trade price difference between the two countries	A. Is less than the cost of transporting it between them B. is greater than the cost of transporting it between them C. Equals the cost of transporting it between them D. More information is needed to answer this question
16	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
17	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
18	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
19	currency speculation is _____ if speculators bet against market forces that cause exchange fluctuations, thus moderating such fluctuations.	A. Destabilizing B. Stabilizing C. Inflationary D. Deflationary
20	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