

## PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	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
2	Most tariffs have	A. Only revenue effects B. Only protective effects C. Both protective and revenue effects D. Neither protective or revenue effects
3	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
4	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.
5	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 C. Buffer stock arrangements D. Tariff rate quotes
6	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
7	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
8	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
9	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
10	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
		A. Are abolished by the world Trade Organization B. Result in decreases in consumer

11	Anti dumping duties applied to imported goods.	<p>surplus for domestic households</p> <p>C. Are imposed by industrial countries but not developing countries.</p> <p>D. Result in lower priced goods for domestic consumers</p>
12	If a country has a linear production possibilities frontier then production is said to be subject to.	<p>A. Constant opportunity costs</p> <p>B. Decreasing opportunity costs</p> <p>C. First increasing and then decreasing opportunity costs</p> <p>D. Increasing opportunity costs</p>
13	The balance of trade can only worsen if income_____ relative to absorption	<p>A. Increases</p> <p>B. Decreases</p> <p>C. Does not change</p> <p>D. None of the above</p>
14	According to the Heckscher - Ohlin model	<p>A. &lt;sup&gt;Every one automatically gains from trade&lt;/sup&gt;</p> <p>B. The gainers from trade out number the losers from trade</p> <p>C. The scarce factor necessary gains from trade</p> <p>D. None of the above</p>
15	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.	<p>A. Letter of credit</p> <p>B. Foreign currency option</p> <p>C. Cable transfer</p> <p>D. Bill of exchange</p>
16	The Heckscher Ohlin theory explains comparative advantage as the result of difference in countries.	<p>A. Relative abundance of various resources.</p> <p>B. Relative costs of labor</p> <p>C. Economies of large scale production.</p> <p>D. Research and development expenditures.</p>
17	Industrial policies intended to foster comparative advantage for domestic industries could result in the implementation of.	<p>A. Research and development subsidies.</p> <p>B. Loan guarantees</p> <p>C. Low interest rate loans</p> <p>D. All of the above</p>
18	The balance of trade can only worsen if income_____ relative to absorption	<p>A. Increases</p> <p>B. Decreases</p> <p>C. Adjustment mechanism</p> <p>D. Currency contract period</p>
19	Debit entries on the balance of payments are the entries that would.	<p>A. Mean a loss of foreign exchange</p> <p>B. Bring foreign exchange into the country</p> <p>C. Indicate a surplus exists</p> <p>D. Exist at the bottom line after all accounts are totaled.</p>
20	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>