PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	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
2	A widely used indicator to differentiate developed countries from developing countries is.	A. International trade per captia B. Real income per capita C. Unemployment per capita D. Calories per capita
3	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
4	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.	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
5	The least common type of transaction in the foreign exchanges is a.	A. Forward transaction B. Spot transaction C. Swap transaction D. None of the above
6	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
7	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
8	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
9	If a small country imposes a tariff on an imported goods terms of trade will	A. Improve B. worsen C. Not change D. any of the above
10	Quotas are government imposed limits on the ___ of goods trade between countries.	A. Prices B. Quantity C. Revenue D. Costs
11	According to the_____ the export of the product that embodies large amounts of the relatively cheap, abundant resorce 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. Stolpher Samuelson theorem D. Bemanke Greenspan theorem
12	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
13	That the division of labor is limited by the size of th market best applies to which explanation	A. Factor endowment theory B. Product like cycle theory

	of trade.	C. Economics of scale theory D. Over lapping demand theory
14	Most tariffs have	A. Only revenue effects B. Only protective effects C. Both protective ad revenue effects D. Neither protective or revenue effects
15	The supply of foreign currency tends to be	A. Upward sloping B. Down ward sloping C. Vertical D. Any of the above
16	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
17	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.
18	_____ is a said to exist when the formation of a regional trading group leads to the reduction of trade with nonmember countries infavor of member countries.	A. Trade creation B. Trade diversion C. Trade exclusion D. Trade distortion
19	The balance of trade can only worsen if income_____ relative to absorption	A. Increases B. Decreases C. Adjustment mechanism D. Currency contract period
20	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