

PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	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. Unitary elastic
2	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
3	Multinational corporations	A. Always produce primary goods B. Always produce manufactured goods C. Products primary goods or manufactured goods D. None of the above
4	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
5	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. Economies of scale theory D. Overlapping demand theory.
6	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
7	The difference between bid rates and ask rates is called the	A. Profit B. Arbitrage C. Spread D. Forward transaction
8	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
9	Debit (-) items in the balance of payments correspond to anything that.	A. Involve receipts from foreigners B. Involves payments to foreigners C. Increase the domestic money supply D. Decrease the demand for foreign exchange
10	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.
11	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
12	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.
13	The factor endowment theory was pioneered by	A. Adam Smith B. David Ricardo C. Wassily Leontief D. Eli Heckscher and Bertil Ohlin
14	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
15	The institutional framework developed in 1974 to promote trade liberalization is known as.	A. WTO B. GATT C. IMF D. World bank
16	Trade based on comparative advantage assures that.	A. Only the strongest survive B. Some people are rich and others are poor C. Each item is produced using the least amount of time needed to produce it D. Each item is produced at as low a cost possible in terms of other things given up
17	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
18	The factor endowment model of international trade was developed by.	A. Adam Smith B. David Ricardo C. John Stuart Mill D. Eli Heckscher and Bertil Ohlin
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	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