

PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	The organization that currently establishes rules of conduct for firms engaging in international trade is the.	A. World Bank B. International Trade commission C. Department of Justice D. World Trade Organization
2	A _____ is a regional trading block in which member countries eliminate intercanal trade barriers but maintain existing barriers against countries that are not members.	A. Free trade area B. Customs union C. Common market D. Monetary union
3	A tariff can _____ raise a country's welfare	A. Never B. Sometimes C. always D. None of the above
4	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
5	International trade is based o the notion that.	A. Different currencies are an obstacle to international trade B. Goods are more mobile internationally than are resources C. Resources are more mobile internationally that are goods D. A country's exports should always exceeds its imports
6	The exchange rate system that best characterizes the present international monetary arrangement used by industrialized countries is.	A. Freely fluctuating exchange rates B. Adjustable pegged exchange rates C. Managed floating exchange rate. D. Pegged or fixed exchange rates
7	A tariff -rate quota	A. Is a limit on the number of tariff that a country can place on imports B. Uses a single tariff along with import quotas to restrict imports C. Is decreased to avoid the price increase caused by simple tariffs D. Is a two tier tariff system intended to restrict imports
8	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
9	Quotas are government imposed limits on the ____ of goods trade between countries.	A. Prices B. Quantity C. Revenue D. Costs
10	According to the factor endowment model of Hackshcer and Ohlin countries heavily endowed with land will.	A. Devote excessive amounts of resources to agricultural production. B. Devote insufficient amounts of resources to agricultural production C. Export products that are and intensive. D. Import products that are land intensive
11	The NAFTA is a	A. Monetary union B. Free trade area C. Common market D. Customs union
12	The factor endearment model of international trade was developed by.	A. Adam Smith B. David Ricardo C. John Stuart Mill

13	When the price of foreign currency exchange is above the equilibrium level.	A. An excess demand for that currency exists in the foreign exchange market. B. An excess supply of the currency exists in the foreign exchange market C. The demand for foreign exchange shifts outward to the right D. The demand for foreign exchange shifts backward to the left.
14	The relationship between the exchange rate and the prices of tradable goods is known as the.	A. Purchasing power parity theory B. Asset markets theory C. Monetary theory D. Balance of payments theory
15	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 quotas
16	_____ is said to exist when the formation of a regional trading group leads to the reduction of trade with nonmember countries in favor of member countries.	A. Trade creation B. Trade diversion C. Trade exclusion D. Trade distortion
17	If a country has a linear production possibilities frontier then production is said to be subject to.	A. Constant opportunity costs B. Decreasing opportunity costs C. First increasing and then decreasing opportunity costs D. Increasing opportunity costs
18	All of the following are trade problems of developing countries except.	A. Unstable export markets B. Improving terms of trade C. Limited access to the markets of industrial countries D. Highly elastic demand curves for their products.
19	According to the _____ the export of the product that embodies large amounts of the relatively cheap, abundant resource 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. Stolper Samuelson theorem D. Bermanke Greenspan theorem
20	Multinational corporations	A. Always produce primary goods B. Always produce manufactured goods C. Produce primary goods or manufactured goods D. None of the above