

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The warfare effect of a quota depend to a considerable extent upon.	A. Who has the quota license B. The size of the quota C. Elasticities of domestic demand and supply D. All of the above
2	Similar to import tariffs, import quotas tend to result in.	A. Higher prices and reduced imports B. Increased government revenue C. Increased consumer surplus D. Decrease producer surplus
3	_____ are quotas that lead to a complete abolishment of trade.	A. Embargoes B. Voluntary export restraints C. Nontariff barriers D. Orderly marketing agreements
4	Quotas are government imposed limits on the _____ of goods trade between countries.	A. Prices B. Quantity C. Revenue D. Costs
5	Through the world government tend to auction quota license to their highest bidder.	A. Always B. Often C. Seldom D. Never
6	In the home country government grants a subsidy of a domestically produced good domestic producers tend to.	A. Capture the entire subsidy in the form of higher profits B. Increase their level of production C. Reduce wages paid to domestic workers D. Consider the subsidy as an increase in production cost
7	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
8	Suppose that the domestic government allows a specific number of goods to be imported each year but it does not specify from where the product is shipped or who is permitted to import such a trade barrier is known as	A. an import tariff B. A tariff rate quota C. A selective quota D. A global quota
9	In the balance of payments, travel and tourism are included in the category of.	A. Unilateral transfers B. Capital account C. Merchandise account D. Services account
10	If a country imposes an import tariff its welfare can improve if	A. The country is a small country's than a larger country. B. Its terms of trade improve enough C. The tariff enhances the welfare of its trading partners D. Its government's tax revenue increase because of the tariff
11	If a small country imposes a tariff on an imported good its terms of trade will	A. Improve B. Worsen C. Not change D. any of the above
12	A tariff can _____ raise a country's welfare.	A. Sometimes B. Never C. Always D. None of these
13	_____ represents the difference between what consumers have to pay for a product and what they are willing and able to pay.	A. Producer surplus B. Deadweight surplus C. Government surplus D. Consumer surplus
		A. A revenue effect and redistribution effect B. Revenue effect and protection

14	A tariff that prohibits imports has only	effect C. Consumption effect and production effect D. Redistribution effect and consumption effect
15	Ad valorem tariffs are collected as	A. Fixed amounts 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
16	A tax 15 percent per imported item would be an example of a	A. Ad valorem tariff B. specific tariff C. Effective tariff D. Compound tariff
17	A tax of 20 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
18	According to factor price equalization theorem the _____ factor should oppose free trade policies in any given country.	A. Abundant B. Scarce C. Neither D. Can't tell without more information
19	If tastes are identical between countries then comparative advantage is determined by	A. Supply conditions only B. Demand conditions only C. Supply and demand conditions D. Can't tell without more information.
20	Industrial policies intended to foster comparative advantage for domestic industries could result in the implementation of.	A. Research and development subsidies B. Loan guarantees C. Low interest rate loans D. All of the above
21	The Hocksher Ohlin model rules out the classical model's basis for trade by assuming that _____ is identical between countries.	A. Factor endowments B. Factor intensities C. Technology D. Opportunity costs
22	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
23	the theory of overlapping demands predicts that trade in manufactured goods is unimportant by countries with very different .	A. Tastes and preferences. B. Expectations of future interest rate levels C. Per capita income levels D. Labor productivities.
24	Which trade theory contents that a country that initially develops and exports a new product may eventually become an importer of it, and may no longer manufacture the product.	A. Theory of factor endowments B. Theory of overlapping demands C. Economies of scale theory D. Product life cycle theory.
25	John Stuart Mill was the founder of the	A. Theory of reciprocal demand B. Theory of absolute advantage C. Theory of comparative advantage D. Theory of mercantilism
26	If the autarky price of S were lower in country A than in country B, then if trade were allowed.	A. A would likely exports to B B. A would likely imports from B C. Neither country would want to trade D. None of the above
27	In autarky when a community maximizes its standard of living its production point is.	A. Below the production possibility frontier B. On the production possibility frontier C. Above the production possibility frontier D. Can't tell without more information.
28	In autarky equilibrium.	A. Production equals consumption B. Export equals imports C. There is no trade D. All of the above
		A. Paid for all goods exported by the home country B. Received for all goods imported by the home country

29	The term of trade is given by the process.	by the home country C. Received for exports and paid for imports. D. Of primary product as opposed to manufactured products.
30	If a country has linear production possibilities frontier than production is said to be subject to.	A. constant opportunity costs B. Decreasing opportunity costs C. First increasing and the decreasing opportunity costs D. Increasing opportunity costs.