PPSC Economics Topic 5 International Economics

Sr	Questions	Answers Choice
1	A country that is a net international debtor initially experiences a.	A. Larger savings pool available finance domestic spending B. Higher interest rate which leads lower domestic investment. C. Loss of funds to trading partners overseas D. Decrease in tis services exports to other countire.
2	Which trade theory contends that a country that initially develops and exports a new product may eventually become an importer of it and may no lorger manufacture the product.	A. Theory of factor endearments B. Theory of overlapping demands C. Economies of scale theory D. Product life cycle theory.
3	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
4	Import substitution is an example of	A. The principle of comparative advantage B. The pricnipal of absolute advantage C. An outward looking growth strategy D. An inward looking growth strategy
5	Among the institutions and polices that have been created to support developing countries are.	A. the World bank B. The international Monetary Fund C. The Generalized system of Preferences D. All of the above
6	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.
7	If a nation has an open economy it means that the nation.	A. Allows private ownership of capital B. Has flexible exchange rates C. Has fixed exchange rates D. Conducts trade with other countries
8	The earliest statement of the principle of comparative advantage in associated with	A. Adam Smith B. David Ricardo C. E . Heckscher D. Bertil Ohlin
9	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 demadn for foreign exchange shifts outward to the right D. The demand for foreign exchange shifts backward to the left.
10	Import quotas tend to result in all of the following except.	A. Domestic producers of the imported good being harmed B. Domestic consumers of the imported good being harmed C. Prices increasing in the importing country D. Price failing in the exporting country.
11	If the international terms of trade settle at a level that is between each country's opportunity cost.	A. There is no basis for gainful trade for either country B. Both countries gain from trade C. Only one country gains from trade D. One country gains and the other

		country loses from trade
12	Mercantilism.	A. Is the philosophy of free international trade. B. Was a system of export promotion and barriers to imports practiced by government . C. Was praised by Adam Smith in the Wealth of Nations D. Both a and c
13	Should international transpiration 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.
14	The NAFTA is a	A. Monetary union B. Free trade area C. Common market D. Customs union
15	The role of _____ is to direct one nation's savings into investments of another nation	A. Merchandise trade flows B. Service flows C. Current account flows D. Capital flows
16	_____ policies attempt to foster industrialization by establishing high barriers to import of foreign goods to promote local production.	A. absolute advantage B. Comparative advantage C. Export led growth D. Import substitution
17	Anti dumping duties applied to imported goods.	A. Are abolished by the world Trade Organization B. Result in decreases in consumer surplus for domestic households C. Are imposed by industrial countries but not developing countries. D. Result in lower priced goods for domestic consumers
18	The _____ analyzes the income distribution effects of trade in the short run when resources are immobile among industries.	A. Stolpher Samuelson theory B. Factor endowment theory. C. Specific factor theory D. Over lapping demand theory
19	Small nations whose trade and financial relationships are mainly with a single partner tend to utilize.	A. Pegged exchange rates B. Freely floating exchanged rates C. Managed floating exchange rates D. Crewing exchange rates.
20	Similar to import tariffs import quotas tend to result in.	A. Higher prices ad reduced imports B. Increased government revenue C. Increases consumer surplus D. Decreased producer surplus