INTERNATIONAL ECONOMICS

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1. The Metzler Paradox suggests that:

A) A tariff may lower the domestic price of imports

B) Tariffs always raise domestic prices

C) Tariffs reduce export prices only

D) There is no impact on domestic prices

A) A tariff may lower the domestic price of imports

2. The Metzler Paradox arises due to:

A) Elastic foreign demand for exports

B) Inelastic domestic demand for imports

C) Foreign offer curve elasticity

D) High tariff barriers

C) Foreign offer curve elasticity

3. Who first formulated the Metzler Paradox?

A) Jacob Viner

B) Lloyd Metzler

C) Eli Heckscher

D) Bertil Ohlin

B) Lloyd Metzler

4. The Metzler Paradox implies that tariffs can:

A) Increase import prices

B) Decrease domestic import prices

C) Have no effect

D) Reduce export volume only

B) Decrease domestic import prices

5. Which theory does the Metzler Paradox challenge?

A) Classical theory of tariffs

B) Comparative cost theory

C) Factor price equalization

D) Terms of trade theory

A) Classical theory of tariffs

6. Metzler's result depends heavily on:

A) The slope of the offer curves

B) Labor mobility

C) Fiscal policy

D) Domestic savings rate

A) The slope of the offer curves

7. The Metzler Paradox is least likely when:

A) Import demand is elastic

B) Export supply is highly elastic

C) Tariffs are prohibitive

D) The home country is large

A) Import demand is elastic

8. Posner's imitation gap theory is based on:

A) Technological innovation and diffusion

B) Resource endowments

C) Tariff barriers

D) Labor mobility

A) Technological innovation and diffusion

9. The imitation lag refers to:

A) Time before a new product is imitated abroad

B) Delay in shipping exports

C) Marketing lag

D) Capital accumulation period

A) Time before a new product is imitated abroad

10. Posner's theory emphasizes:

A) Innovation and response lag

B) Cost differentials

C) Factor proportions

D) Transportation costs

A) Innovation and response lag

11. According to Posner, trade occurs temporarily until:

A) Innovation is imitated abroad

B) Demand declines

C) Exchange rates stabilize

D) Capital flows stop

A) Innovation is imitated abroad

12. The imitation lag causes:

A) Dynamic comparative advantage

B) Static equilibrium

C) Permanent monopoly

D) None of these

A) Dynamic comparative advantage

13. The demand lag represents:

A) Time before domestic consumers adopt innovation

B) Export delay period

C) Lag in import response

D) Capital investment lag

A) Time before domestic consumers adopt innovation

14. When imitation lag > demand lag, the result is:

A) Export opportunity

B) Import substitution

C) Tariff escalation

D) No trade

A) Export opportunity

15. Vernon's Product Cycle Theory explains:

A) The changing pattern of trade in
    manufactured goods

B) The agricultural trade cycle

C) Exchange rate cycles

D) Business investment trends

A) The changing pattern of trade in
  manufactured goods

16. According to Vernon, new products are first produced:

A) In developed countries

B) In developing countries

C) Globally simultaneously

D) In least-developed economies

A) In developed countries

17. As a product matures, production tends to shift to:

A) Developing countries

B) Developed countries

C) Domestic rural areas

D) Non-trading blocs

A) Developing countries

18. The theory integrates:

A) Technology, trade, and investment

B) Tariff and monetary policy

C) Exchange rate theory

D) Ricardian cost analysis

A) Technology, trade, and investment

19. Vernon's model helps explain:

A) FDI patterns

B) Fiscal multipliers

C) Import quotas

D) Balance of payments deficits

A) FDI patterns

20. The product cycle theory aligns with:

A) Dynamic comparative advantage

B) Static equilibrium

C) Heckscher-Ohlin assumptions

D) Trade neutrality

A) Dynamic comparative advantage

21. Product standardization leads to:

A) Increased price competition

B) Monopoly rents

C) Trade protection

D) Demand contraction

A) Increased price competition

22. Leamer's theorem refines:

A) Heckscher-Ohlin model

B) Classical trade theory

C) Mercantilism

D) Product cycle theory

A) Heckscher-Ohlin model

23. Leamer focused on the relationship between:

A) Factor endowments and trade patterns

B) Technology and innovation

C) Tariffs and prices

D) Exchange rates and income

A) Factor endowments and trade patterns

24. Trefler's theorem addressed:

A) The missing trade puzzle

B) Labor migration

C) Currency substitution

D) Technological unemployment

A) The missing trade puzzle

25. The 'missing trade' paradox arises because:

A) Observed trade volumes are smaller than predicted

B) Tariffs distort trade

C) Data is incomplete

D) Exchange rates fluctuate

A) Observed trade volumes are smaller than predicted

26. The empirical results of Leamer and Trefler show that:

A) Factor price equalization rarely holds

B) Tariffs always distort trade

C) Ricardian assumptions are invalid

D) Free trade harms poor nations

A) Factor price equalization rarely holds

27. Trefler attributed missing trade to:

A) Technology differences

B) Factor endowment equality

C) Currency misalignment

D) Statistical error

A) Technology differences

28. Their findings led to greater focus on:

A) Productivity differences across nations

B) Gold standard

C) Inflation targeting

D) Trade quotas

A) Productivity differences across nations

29. Kravis's theory of availability emphasizes:

A) Supply constraints in international trade

B) Currency values

C) Labor mobility

D) Tariff levels

A) Supply constraints in international trade

30. Trade occurs when:

A) Goods are unavailable domestically

B) Exchange rates change

C) Prices fall below equilibrium

D) Wages rise

A) Goods are unavailable domestically

31. Kravis rejected:

A) Demand-based theories

B) Mercantilist views

C) Classical neutrality

D) Technological innovation models

A) Demand-based theories

32. The key variable in Kravis's theory is:

A) Availability

B) Income

C) Tariff rate

D) Price elasticity

A) Availability

33. Availability depends on:

A) Natural resources and technology

B) Fiscal policy

C) Currency reserves

D) Population size

A) Natural resources and technology

34. Kravis's theory helps explain:

A) Why countries import resource-scarce goods

B) Wage inequality

C) Fiscal deficits

D) Inflationary trade cycles

A) Why countries import resource-scarce goods

35. The theory's weakness lies in ignoring:

A) Demand patterns

B) Tariffs

C) Exchange rates

D) Transport costs

A) Demand patterns

36. Linder's theory emphasizes:

A) Similarity of demand structures between countries

B) Differences in resource endowments

C) Currency convertibility

D) Capital movements

A) Similarity of demand structures between countries

37. According to Linder, trade is greatest between:

A) Countries with similar income levels

B) Rich and poor countries

C) Resource-abundant and scarce nations

D) Large and small economies

A) Countries with similar income levels

38. Linder's model focuses on:

A) Manufactured goods trade

B) Agricultural trade

C) Service exports only

D) Commodity cycles

A) Manufactured goods trade

39. The basis of trade in Linder's theory is:

A) Overlapping demand

B) Comparative cost

C) Factor endowment

D) Technological gap

A) Overlapping demand

40. Linder's theory is considered:

A) Demand-oriented

B) Supply-oriented

C) Fiscal-based

D) Exchange-rate-driven

A) Demand-oriented

41. A higher per capita income implies:

A) More diversified demand

B) Constant demand

C) Narrow market scope

D) Trade imbalance

A) More diversified demand

42. The theory predicts intra-industry trade among:

A) Developed countries

B) Developing nations

C) Least developed economies

D) Agricultural exporters

A) Developed countries

43. Krugman's New Trade Theory emphasizes:

A) Increasing returns to scale and monopolistic competition

B) Constant returns and perfect competition

C) Tariff protection

D) Exchange rate stability

A) Increasing returns to scale and monopolistic competition

44. The theory explains trade between:

A) Similar nations

B) Dissimilar nations

C) Colonies and empires

D) Only developing economies

A) Similar nations

45. A major factor in Krugman's theory is:

A) Economies of scale

B) Wage rigidity

C) Capital controls

D) Comparative costs only

A) Economies of scale

46. Krugman's Nobel Prize (2008) recognized his work in:

A) Trade and geography

B) Tariff policy

C) Exchange rate determination

D) Monetary policy

A) Trade and geography

47. According to Krugman, trade benefits consumers by:

A) Greater product variety and lower prices

B) Reducing imports

C) Increasing tariffs

D) Restricting firms

A) Greater product variety and lower prices

48. The new trade theory supports:

A) Intra-industry trade

B) Inter-industry trade

C) Agricultural specialization

D) Pure autarky

A) Intra-industry trade

49. The model introduced:

- A) Imperfect competition into trade theory
- B) Factor mobility assumptions
- C) Tariff substitution
- D) None of the above

A) Imperfect competition into trade theory

50. A common theme among modern trade theories is:

A) Role of technology and market structure

B) Gold standard stability

C) Constant returns to scale

D) Autarky advantages

A) Role of technology and market structure