

INTERNATIONAL ECONOMICS

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TIRCHY - 24

1. Which of the following best describes how trade acts as an engine of growth?

- A. It reduces the need for innovation
- B. It allows countries to specialize and increase efficiency
- C. It discourages competition
- D. It limits access to new technologies

Answer: B

2. Trade enables countries to:

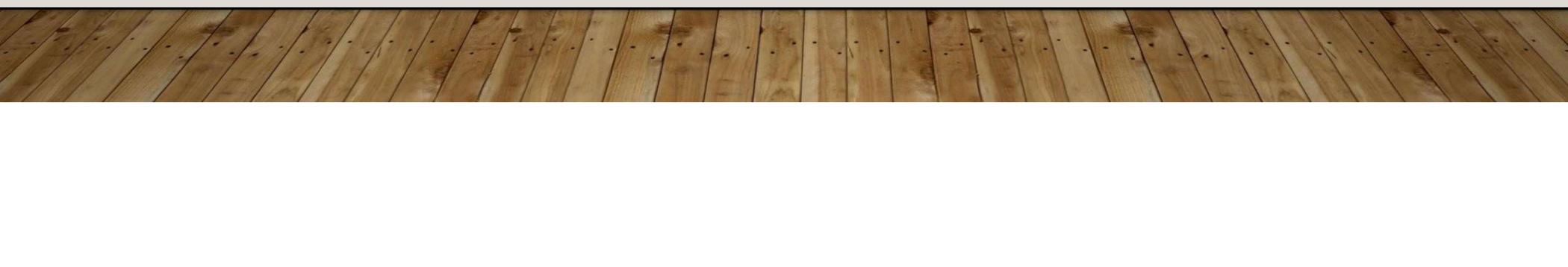
A. Focus on producing goods they can make most efficiently

B. Import only raw materials

C. Avoid international competition

D. Eliminate all domestic industries

Answer: A



3. What is a major benefit of international trade for developing countries?

Decreased foreign investment

B. Access to larger markets and more consumers

C. Reduced competition for local firms

D. Greater reliance on subsistence farming

Answer: B

4. Which theory suggests that countries should export goods they can produce more efficiently and import those they produce less efficiently?

- A. Theory of Comparative Advantage
- B. Theory of Absolute Advantage
- C. Theory of Protectionism
- D. Theory of Mercantilism

Answer:A

5. Technological advancement?

- A. By restricting access to new technologies
- B. By encouraging imitation rather than innovation
- C. By facilitating the transfer of technology through imports and foreign investment
- D. By reducing the need for research and development

Answer: C

6. Which of the following is a potential downside of relying heavily on trade for growth?

Increased economic resilience

B. Greater vulnerability to global market fluctuations

C. Guaranteed higher wages for all workers

D. Reduced need for skilled labor

Answer: B

7. Trade can help reduce poverty by:

- A. Limiting job opportunities in export sectors
- B. Increasing the cost of basic goods
- C. Creating jobs and increasing incomes in export industries
- D. Reducing government revenues

Answer: C

8. What role does infrastructure play in trade-driven growth?

- A. Poor infrastructure has no impact on trade
- B. Good infrastructure can lower trade costs and boost exports
- C. Infrastructure is only important for domestic trade
- D. Infrastructure improvements discourage foreign investment

Answer: B

9. Which of the following policies can help maximize the growth benefits of trade?

Imposing high tariffs on all imports

B. Investing in education and workforce skills

C. Limiting access to foreign markets

D. Restricting foreign direct investment

Answer: B

10. How does trade diversification contribute to sustainable growth?

By making economies more dependent on a single export

B. By reducing exposure to risks associated with a single market or product

C. By discouraging innovation

D. By increasing reliance on imports

Answer: B

11. What is the main goal of mercantilism in international trade?

- A. To promote free trade among all nations
- B. To maximize exports and minimize imports
- C. To encourage equal exchange between countries
- D. To eliminate all tariffs and trade barriers

Answer: B

12. Mercantilists believed that national wealth was measured by:

- A. The amount of gold and silver a country holds
- B. The size of its population
- C. The level of technological advancement
- D. The diversity of its exports

Answer:A

13. Which of the following policies was commonly used by mercantilist nations?

- A. Free trade agreements
- B. High tariffs on imports
- C. Open borders for labor
- D. Encouragement of foreign investment

Answer: B

14. Mercantilism views international trade as:

- A. A win-win situation for all countries
- B. A zero-sum game where one country's gain is another's loss
- C. A way to foster global cooperation
- D. Irrelevant to national wealth

Answer: B

15. According to mercantilist thought, colonies were important because they:

A. Provided markets for manufactured goods and sources of raw materials

B. Helped promote democracy

C. Reduced the need for military defense

D. Encouraged cultural exchange

Answer: A

16. Mercantilism was most prominent during which period?

A. The 21st century

B. The Industrial Revolution

C. The 16th to 18th centuries

D. The Middle Ages

Answer: C

17. Which of the following is a criticism of mercantilism?

- A. It encourages excessive government intervention in trade
- B. It leads to global economic stability
- C. It promotes fair competition among nations
- D. It ensures equal wealth distribution

Answer:A

18. The Absolute Cost Advantage theory was first proposed by:

David Ricardo

B. Adam Smith

C. John Maynard Keynes

D. Alfred Marshall

Answer: B

19. According to the Absolute Cost Advantage theory, a country should:

Export goods it can produce at a lower cost than other countries

B. Import all goods regardless of cost

C. Only trade with countries that have the same resources

D. Avoid specialization in production

Answer: A

20. Absolute Cost Advantage occurs when a country:

- A. Can produce a good using fewer resources than another country
- B. Can produce all goods at the same cost as other countries
- C. Has the same technology as its trading partners
- D. Exports only raw materials

Answer:A

21. Which of the following is a key assumption of the Absolute Cost Advantage theory?

- A. There are no transportation costs
- B. Countries have identical factor endowments
- C. Labor is not mobile between countries
- D. All countries have the same technology

Answer: A

22. The theory of Absolute Cost Advantage suggests that trade benefits:

A. Only the country with the absolute advantage

B. Both trading countries

C. Only developing countries

D. Only developed countries

Answer: B

23. If Country A can produce wheat more efficiently than Country B, and Country B can produce cloth more efficiently than Country A, then:

- A. Both countries should specialize and trade
- B. Only Country A should trade
- C. Only Country B should trade
- D. Neither country should trade

Answer: A

24. Absolute Cost Advantage is based on:

- A. Differences in opportunity costs
- B. Differences in resource endowments
- C. Differences in production costs
- D. Differences in labor productivity

Answer: C

25. Absolute Cost Advantage is based on

- A. Differences in opportunity costs
- B. Differences in resource endowments
- C. Differences in production costs
- D. Differences in labor productivity

Answer: C

26. The theory of Absolute Cost Advantage does not explain trade when:

- A. Both countries have an absolute advantage in different goods
- B. One country has an absolute advantage in all goods
- C. Countries have equal production costs
- D. Countries use different technologies

Answer: B

27. According to Adam Smith, international trade based on absolute cost advantage leads to:

A. Increased global output and efficiency

B. Decreased global output

C. Equal distribution of wealth

D. Higher unemployment in all countries

Answer: A

Thank you

