

INTERNATIONAL ECONOMICS

DR.K VETRIVEL
ASSOCIATE PROFESSOR
DEPARTMENT OF ECONOMICS
BHARATHIDASAN UNIVERSITY
Trichy - 24

The effect of growth on trade



1. Growth in an economy refers to:

- a) Increase in consumption only
- b) Increase in productive capacity
- c) Increase in exports only
- d) Increase in population

b: Increase in productive capacity

2. What is the main effect of economic growth on trade?

- a) It reduces exports
- b) It increases production and exports
- c) It stops imports
- d) It decreases income
- b. It increases production and exports

3. Growth may affect trade through:

- a) Change in demand and supply
- b) Only government policy
- c) Only population growth
- d) None of the above

► A: Only government policy

4. When an economy grows, its capacity to produce:

- a) Decreases
- b) Remains same
- c) Increases
- d) None of the above

c: Increases

5. Economic growth may change the country's:

- a) Terms of trade
- b) Climate
- c) Culture
- d) Language

a: Terms of trade

6. Export-biased growth improves:

- a) Import capacity
- b) Export capacity
- c) Domestic consumption
- d) Saving rate

b: Export capacity

7.Import-biased growth increases:

- a) Demand for exports
- b) Demand for imports
- c) Inflation
- d) None of the above

b: Demand for imports

8. In the long run, trade and growth are:

- a) Unrelated
- b) Mutually reinforcing
- c) Opposing
- d) None of the above

b: Mutually reinforcing

9. Growth-led trade refers to:

- a) Trade causing growth
- b) Growth causing trade expansion
- c) No relation
- d) Declining trade

B: Growth causing trade expansion

10. Which factor affects trade structure most due to growth?

- a) Population
- b) Technological progress
- c) Fashion
- d) Religion

b: Technological progress

Terms of trade

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right and bottom edges of the frame, creating a modern, layered effect. The rest of the background is plain white.

11. Terms of Trade refers to:

- a) Ratio of export to import prices
- b) Export quantity
- c) Import value
- d) Balance of payments

a: Ratio of export to import prices

12. Gross Barter Terms of Trade measures:

- a) Quantity of imports and exports
- b) Prices of goods
- c) Exchange rate
- d) National income

a: Quantity of imports and exports

13. Income Terms of Trade = ?

- a) $\text{Export price} \times \text{Export volume} / \text{Import price}$
- b) $\text{Import price} / \text{Export price}$
- c) $\text{Export value} - \text{Import value}$
- d) None of the above

A: $\text{Export price} \times \text{Export volume} / \text{Import price}$

14. Net Barter Terms of Trade is also known as:

- a) Commodity Terms of Trade
- b) Factoral Terms of Trade
- c) Gross Terms
- d) Dynamic TOT

a:Commodity Terms of Trade

15.Improvement in TOT means:

- a) Export prices rise faster than import prices
- b) Import prices rise
- c) Both prices constant
- d) None of the above

A:Export prices rise faster than import prices

16. A decline in TOT implies:

- a) Export prices fall relative to imports
- b) Import prices fall
- c) No change
- d) Inflation falls

A: Export prices fall relative to imports

17. Factorial Terms of Trade adjusts for:

- a) Productivity changes
- b) Inflation
- c) Exchange rate
- d) Tariff

A: Productivity changes

18. Single Factorial Terms of Trade introduced by:

- a) Viner
- b) Taussig
- c) Marshall
- d) Keynes

B: Taussig

19. Double Factorial Terms of Trade considers:

- a) Productivity in both countries
- b) Only export productivity
- c) Prices only
- d) None of the above

A:Productivity in both countries

20. Gross Barter TOT was proposed by:

- a) Taussig
- b) Viner
- c) Marshall
- d) Ricardo

A: Taussig

Technical progress and trade





21. Technical progress affects trade by changing:

- a) Technical Progress and Trade
- b) Population
- c) Politics
- d) Geography

A: Technical Progress and Trade

21. Neutral technical progress means:

- a) Equal increase in factor productivity
- b) Capital only improves
- c) Labour only improves
- d) None of the above

a: Equal increase in factor productivity

22. Labour-saving progress leads to:

- ▶ a) Less labour use per output
- ▶ b) More labour use
- ▶ c) No change
- ▶ d) None of the above

A: Less labour use per output

23. Capital-saving progress leads to:

- a) Less capital needed per output
- b) More capital needed
- c) No effect
- d) None of the above

a: Less capital needed per output

24. Technical progress may shift:

- a) Production possibility frontier
- b) Indifference curve
- c) Demand curve only
- d) None of the above

A: Production possibility frontier

25. Technical progress biased toward export industries causes:

- a) Import expansion
- b) Export expansion
- c) Decline in trade
- d) None of the above

B. Export expansion

26. In developing countries, technical progress often:

- a) Raises productivity
- b) Reduces income
- c) Stops trade
- d) None of the above

A: Raises productivity

27. Embodied technical progress occurs through:

- a) New machines
- b) New laws
- c) Population growth
- d) None of the above

A:New machines

27. Disembodied progress means:

- ▶ a) Policy reform
- ▶ b) Only machinery change
- ▶ c) Knowledge-based improvement
- ▶ d) None of the above

C. Knowledge-based improvement

28. Technical progress generally leads to:

- a) Increase in output and trade
- b) Decrease in exports
- c) Lower productivity
- d) None of the above

A: Increase in output and trade

Rybczynski theorem

The background features abstract, overlapping green geometric shapes. On the right side, there are several overlapping triangles and polygons in various shades of green, ranging from light to dark. On the left side, there is a single, solid green triangle pointing towards the center. The overall composition is clean and modern, with a focus on the central text.

29. The Rybczynski theorem applies to:

- a) Two goods, two factors model
- b) Single factor model
- c) Keynesian model
- d) None of the above

A: Two goods, two factors model

30. It shows effect of increase in one factor on:

- a) Income
- b) Price of goods
- c) Output of goods
- d) None of the above

C. Output of goods

31. An increase in labour increases output of:

- a) Labour-intensive good
- b) Capital-intensive good
- c) Both equally
- d) None of the above

A: Labour-intensive good

32. An increase in capital increases output of:

- a) Labour-intensive good
- b) Capital-intensive good
- c) Neither
- d) None of the above

B. Capital-intensive good

33. Rybczynski theorem assumes:

- a) Constant returns to scale
- b) Increasing returns
- c) Decreasing returns
- d) None of the above

A: Constant returns to scale

34. The theorem shows a relation between:

- a) Factor endowments and production
- b) Consumption and trade
- c) Prices and demand
- d) None of the above

A: Factor endowments and production

35. The theorem is derived from:

- a) Heckscher-Ohlin model
- b) Ricardian model
- c) Keynesian model
- d) None of the above

A: Heckscher-Ohlin model

36. If labour increases, production of capital-intensive good:

- ▶ a) Constant
- ▶ b) Rises
- ▶ c) Falls
- ▶ d) None

C. Falls

37. It helps explain:

- a) Structural changes due to factor growth
- b) Inflation
- c) Tax changes
- d) None of the above

A: Structural changes due to factor growth

38. The theorem was proposed by:

- a) Rybczynski (1955)
- b) Ricardo
- c) Viner
- d) Marshall

A: Rybczynski (1955)

Immiserising growth



39. Immiserising growth means:

- a) No effect
- b) Growth increasing welfare
- c) Growth reducing welfare
- d) None of the above

C:Growth reducing welfare

40. The concept was given by:

- a) Ricardo
- b) Bhagwati
- c) Marshall
- d) Keynes

b:Bhagwati

41. It occurs when:

- a) Terms of trade deteriorate
- b) TOT improve
- c) Exports fall
- d) Imports fall

A: Terms of trade deteriorate

42. For immiserising growth to occur:

- a) Small country
- b) Country must be large exporter
- c) Closed economy
- d) None of the above

b. Country must be large exporter

43. Export-biased growth may lead to:

- a) Worsening TOT
- b) Improvement in TOT
- c) No change
- d) None of the above

A:Worsening TOT

44. It implies welfare can:

- a) Stay constant
- b) Always rise
- c) Fall despite growth
- d) None

C. Fall despite growth

45. It is possible when demand for exports is:

- a) Inelastic
- b) Elastic
- c) Unit elastic
- d) None of the above

A: Inelastic

46. Immiserising growth contradicts:

- a) None
 - b) Law of demand
 - c) Law of supply
 - d) Traditional welfare view
- d. Traditional welfare view

47. Main reason for immiserisation:

- a) Adverse terms of trade
- b) Increase in income
- c) Fall in exports
- d) None of the above

A: Adverse terms of trade

48. It is a rare case of:

- a) Growth with welfare loss
- b) Growth with welfare gain
- c) Stagnation
- d) None of the above

A:Growth with welfare loss

Dutch disease

The background features abstract, overlapping green geometric shapes. On the right side, there are several overlapping triangles and polygons in various shades of green, ranging from light to dark. On the left side, there is a single, sharp green triangle pointing towards the center. The overall composition is clean and modern.

49. Dutch disease occurs when:

- a) Resource boom hurts manufacturing
- b) Exports rise in all sectors
- c) Imports fall
- d) None of the above

A:Resource boom hurts manufacturing

50. It was first observed in:

- a) UK
- b) Netherlands
- c) USA
- d) Japan

b. Netherlands

51. It leads to appreciation of:

- a) Real exchange rate
- b) Nominal rate
- c) Inflation
- d) None of the above

A:Real exchange rate

52.Resource discovery causes:

- a) Balanced growth
- b) Industrial growth
- c) De-industrialisation
- d) None of the above

C:De-industrialisation

53. Dutch disease affects:

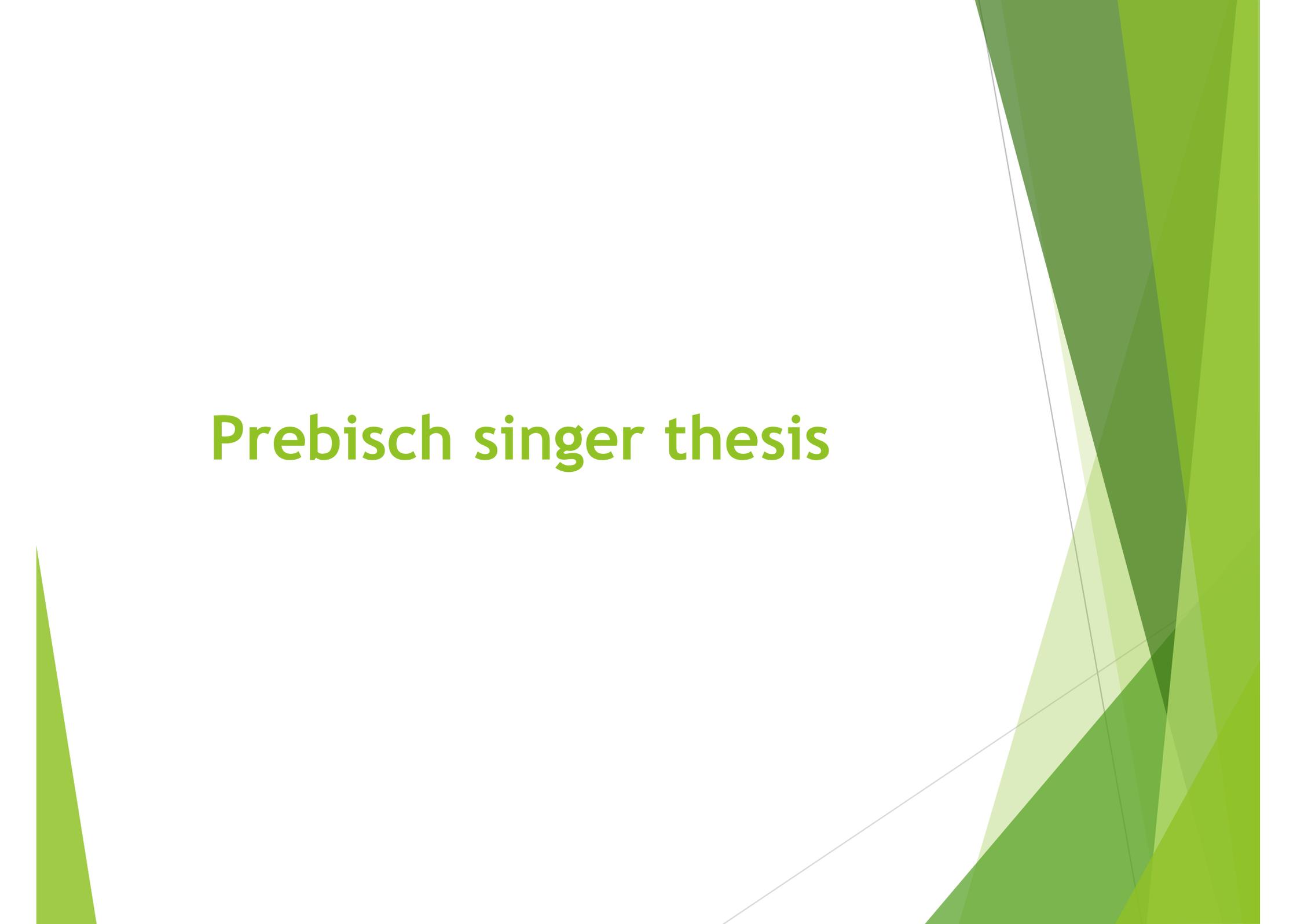
- a) Non-tradable sector
 - b) Tradable sector
 - c) Both equally
 - d) None of the above
- B. Tradable sector

54. Dutch disease results in:

- a) Shift of labour to booming sector
- b) Unemployment
- c) None of the above

A: Shift of labour to booming sector

Prebisch singer thesis

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side and bottom of the page, creating a modern, layered effect. A thin, light gray line also runs diagonally across the lower right portion of the image.

55. The thesis argues that terms of trade:

- a) Constant over time
- b) Improve for developing nations
- c) Deteriorate for primary goods
- d) None of the above

C: Deteriorate for primary goods

56.It was proposed by:

- a) Raul Prebisch and Hans Singer
- b) Keynes
- c) Ricardo
- d) Viner

A:Raul Prebisch and Hans Singer

57. It suggests developing countries face:

- a) Declining export prices
- b) Rising import prices
- c) Both
- d) None of the above

C:Both

58. The thesis favours:

- a) Industrialisation
- b) Dependence on exports
- c) Free trade
- d) None

A:Industrialisation

59. According to the thesis, manufactured goods' prices:

- ▶ a) Fall faster
- ▶ b) Rise faster
- ▶ c) Constant
- ▶ d) None of the above

B: Rise faster

60.It supports policy of:

- a) Import substitution
- b) Free trade
- c) None

A:Import substitution

Myrdal's view

61. Myrdal's main book is:

- a) Economic Theory and Underdeveloped Regions
- b) Wealth of Nations
- c) None of the above

A: Economic Theory and Underdeveloped Regions

62. Myrdal emphasized:

A) Equilibrium

B) Demand and supply

C) Backwash and spread effect

D) None of the above

C) Backwash and spread effect

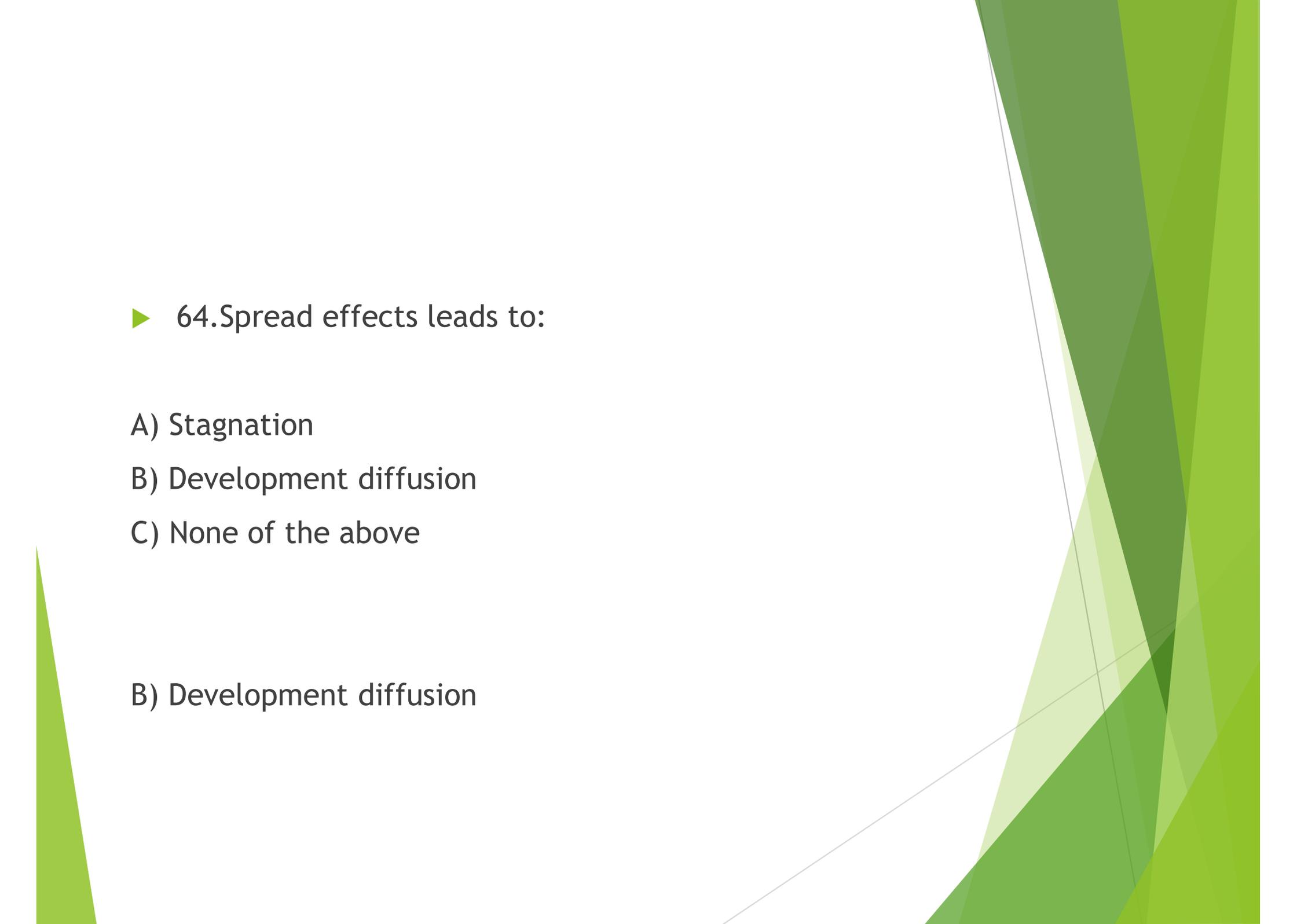
63. Backwash effect cause?

A) Equal development

B) Regional inequality

C) None of the above

B) Regional inequality



► 64. Spread effects leads to:

A) Stagnation

B) Development diffusion

C) None of the above

B) Development diffusion

THANK YOU

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right and bottom edges of the frame, creating a modern, layered effect against the white background.