

1 Trade is a zero sum game.

(A True
)

<https://selldocx.com/products>
Answer:
(B)False

(B False
)

2 The principle of absolute advantage states that a country should import a commodity that can be produced at a lower cost than can other nations.

(A True
)

Answer:
(B)False

(B False
)

3 If one nation has absolute advantage for all products, trade will not take place.

(A True
)

Answer:
(B)False

(B False
)

4 As long as the domestic exchange ratio of the United States and that of Canada are identical, the United States should trade with Canada even though the United States may have absolute advantage in all products.

(A True
)

Answer:
(B)False

(B False
)

5 If the domestic exchange ratio of the United States and that of Canada are identical, the United States should not trade with Canada even though the United States may have absolute advantage in all products.

(A True
)

Answer:
(A)True

(B False
)

6 According to the principle of relative advantage, absolute production costs are irrelevant.

(A True
)

Answer:
(A) True

(B False
)

7 Relative production costs can determine whether trade should take place, but they do not determine what items to export or import.

(A True
)

Answer:
(B) False

(B False
)

8 The principle of relative advantage suggests that a country should produce a product with the least comparative disadvantage.

(A True
)

Answer:
(A) True

(B False
)

9 Because of trade, the two different domestic exchange ratios will be replaced by a new ratio called the world market exchange ratio or terms of trade.

(A True
)

Answer:
(A) True

(B False
)

10 International trade is a function of the unequal domestic exchange ratios.

(A True
)

Answer:
(A) True

(B False
)

11 A country that has absolute advantage in all products has nothing to gain from trading with other nations.

(A True
)

Answer:
(B)False

(B False
)

12 Comparative advantage is a dynamic concept.

(A True
)

Answer:
(A)True

(B False
)

13 One basic assumption of the principles of absolute and relative advantage is that the advantage is solely determined by labor.

(A True
)

Answer:
(A)True

(B False
)

14 German and Japanese firms are successful in international trade because of their low labor costs.

(A True
)

Answer:
(B)False

(B False
)

15 Countries can remain competitive in spite of their higher wages.

(A True
)

Answer:
(A)True

(B False
)

16 country's labor cost may be absolutely high and yet relatively low.

(A True
)

Answer:
(A)True

(B
) False

17 Comparative advantage can be determined by abundance of factor endowments.

(A
) True

Answer:
(A) True

(B
) False

18 According to the theory of factor endowment, the various regions of the world are equally well endowed with regard to production factors.

(A
) True

Answer:
(B) False

(B
) False

19 According to the factor endowment theory, a country's comparative advantage is in the production factor that it lacks.

(A
) True

Answer:
(B) False

(B
) False

20 The theory of factor endowment holds that the inequality of relative prices is a function of regional factor endowments.

(A
) True

Answer:
(A) True

(B
) False

21 Countries have different costs and prices because they differ in the supply of the factors of production.

(A
) True

Answer:
(A) True

(B
) False

22 Good governance can help a resource-abundant country to avoid the 'resource curse' phenomenon.

(A
) True

Answer:
(A) True

(B
) False

23 The Human Development Index is highly correlated with the widely used measures of poverty.

(A
) True

Answer:
(A) True

(B
) False

24 According to Michael Porter's theory of the Competitive Advantage of Nations, there are four major determinants of international competitiveness, and each determinant has no effect on the other determinants.

(A
) True

Answer:
(B) False

(B
) False

25 According to Michael Porter's 'diamond,' a nation's competitive industries should be clustered.

(A
) True

Answer:
(A) True

(B
) False

26 Michael Porter's 'diamond,' advocates that a nation should not cluster the industries.

(A
) True

Answer:
(B) False

(B
) False

27 The evidence that the United States exports labor-intensive goods and imports capital-intensive goods is known as Leontief Paradox.

(A True
)

Answer:
(A) True

(B False
)

28 Based on the factor endowment theory, developing countries should trade more with developed countries rather than among themselves.

(A True
)

Answer:
(A) True

(B False
)

29 Developed countries tend to trade among themselves rather than with developing countries.

(A True
)

Answer:
(A) True

(B False
)

30 While manufacturing jobs can be moved across countries, it is not easy to move knowledge-based jobs.

(A True
)

Answer:
(B) False

(B False
)

31 Classical trade theories assume that factors of production are immobile.

(A True
)

Answer:
(A) True

(B False
)

32 Production factors are now considered more mobile than previously assumed.

(A True
)

Answer:
(A) True

(B False
)

33 Capital, as a factor of production, is mobile.

(A True
)

Answer:
(A) True

(B False
)

34 Classical trade theories ignore the marketing aspect of trade.

(A True
)

Answer:
(A) True

(B False
)

35 Classical trade theories are concerned primarily with value-added products rather than with commodities.

(A True
)

Answer:
(B) False

(B False
)

36 Countries forming a free trade area must have joint boundaries.

(A True
)

Answer:
(B) False

(B False
)

37 Monetary union means adoption of multiple currencies.

(A True
)

Answer:
(B) False

)

(B False
)

38 Economic union eliminates foreign exchange transaction costs and risks.

(A True
)

Answer:
(A) True

(B False
)

39 An economic and monetary union (EMU) envisages total fiscal and monetary integration.

(A True
)

Answer:
(A) True

(B False
)

40 For an economic and monetary union (EMU) to function effectively, member countries should have different economic conditions.

(A True
)

Answer:
(B) False

(B False
)

41 'Social dumping' is a movement of business and jobs away from areas with high wages to areas with less organized labor forces and weak social-welfare policies.

(A True
)

Answer:
(A) True

(B False
)

42 Economic cooperation results in trade creation as well as trade diversion.

(A True
)

Answer:
(A) True

(B False
)

)

43

Economic integration encourages trade liberalization internally, while it promotes trade protection externally.

(A True
)

Answer:
(A) True

(B False
)