https://selldocx.com/products

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.

**Answer:** (B)False

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

Answer:

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.

4

Answer:

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.

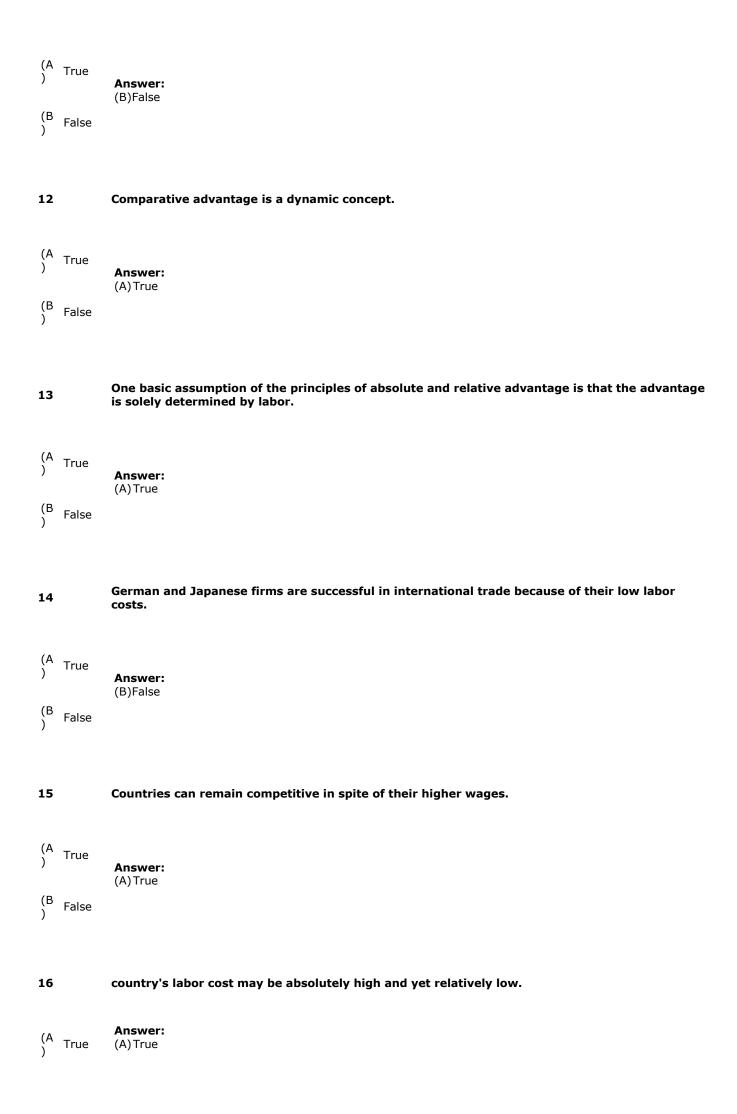
Answer:

6

(A ) (B )	True False	Answer: (A) True
7		Relative production costs can determine whether trade should take place, but they do not determine what items to export or import.
(A ) (B )	True False	Answer: (B)False
8		The principle of relative advantage suggests that a country should produce a product with the least comparative disadvantage.
(A ) (B )	True False	Answer: (A) True
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 ) (B )	True False	Answer: (A) True
10		International trade is a function of the unequal domestic exchange ratios.
(A ) (B )	True False	Answer: (A) True

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

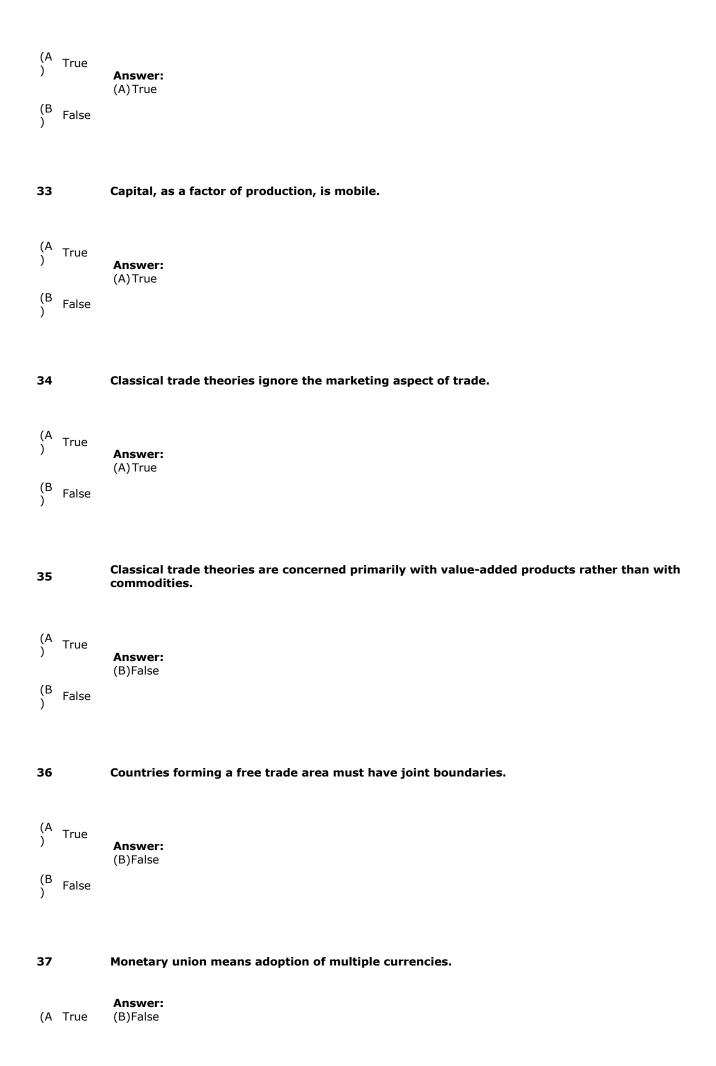
11



(B )	False	
17		Comparative advantage can be determined by abundance of factor endowments.
(A ) (B )	True False	Answer: (A) True
18		According to the theory of factor endowment, the various regions of the world are equally well endowed with regard to production factors.
(A ) (B )	True False	Answer: (B)False
19		According to the factor endowment theory, a country's comparative advantage is in the production factor that it lacks.
(A ) (B )	True False	Answer: (B)False
20		The theory of factor endowment holds that the inequality of relative prices is a function of regional factor endowments.
(A ) (B )	True False	Answer: (A) True
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	(vy mac
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	



)		
(B )	False	
38		Economic union eliminates foreign exchange transaction costs and risks.
(A )	True	Answer: (A) True
(B )	False	(A) True
39		An economic and monetary union (EMU) envisages total fiscal and monetary integration.
(A )	True	Answer: (A) True
(B )	False	(A) True
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	

)

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

(A True Answer: (A)True

(B False