

# sample test

<i>Jméno a příjmení - pište do okénka</i>	<i>UČO</i>	<i>Číslo zadání</i>
		<b>1</b>

- 1** In the Ricardian model, comparative advantage is likely to be due to
- A** scale economies.
  - B** political pressure.
  - C** greater capital availability per worker.
  - D** home product taste bias.
  - E** labor productivity differences.
- 
- 2** Which of the following statements is the MOST accurate?
- A** There is no causality relation between the two.
  - B** Absolute PPP is inversely related to relative PPP.
  - C** Absolute PPP implies relative PPP.
  - D** Relative PPP implies absolute PPP.
  - E** Absolute PPP does not imply relative PPP.
- 
- 3** If a small country imposes a tariff, then
- A** the producers must suffer a loss.
  - B** the government revenue must suffer a loss.
  - C** the world price on that item will shift.
  - D** the demand curve must shift to the left.
  - E** the consumers must suffer a loss.
- 
- 4** When a country both exports and imports a type of commodity, the country is engaged in
- A** intra-industry trade.
  - B** an attempt to monopolize the relevant industry.
  - C** inter-industry trade.
  - D** increasing returns to scale.
  - E** imperfect competition.
- 
- 5** Specific tariffs are
- A** import taxes stated in specific legal statutes.
  - B** import taxes calculated as a fraction of the value of the imported goods.
  - C** import taxes calculated as a fixed charge for each unit of imported goods.
  - D** the same as import quotas.
  - E** import taxes calculated based solely on the origin country.
- 
- 6** Which of the following statements is the MOST accurate?
- A** If the law of one price holds true for every commodity, PPP must hold automatically.
  - B** If PPP holds true, then the law of one price holds true for every commodity as long as the reference baskets used to reckon different countries' price levels are the same.
  - C** If PPP holds true, then the law of one price must hold true automatically.
  - D** If the law of one price does not hold true for every commodity, PPP cannot be true as long as the reference baskets used to reckon different countries' price levels are the same.
  - E** If the law of one price holds true for every commodity, PPP must automatically hold as long as the reference baskets used to reckon different countries' price levels are the same.
- 
- 7** The experience of Chile's foreign sector in the last two decades of the 20th century supports the proposition that economic growth is supported by
- A** trade liberalization policies.
  - B** import substitution.
  - C** intra-industry trading.
  - D** industrialization policies.
  - E** trade embargoes.
- 
- 8** A worker who has invested in \_\_\_\_\_ skills will be \_\_\_\_\_ mobile than would otherwise be the case.
- A** occupation-nominal; less
  - B** occupation-specific; more
  - C** occupation-specific; less
  - D** ethical; less
  - E** ethical; more
- 
- 9** Which of the following is NOT a major actor in the foreign exchange market?
- A** non-bank financial institutions
  - B** corporations
  - C** central banks
  - D** tourists
  - E** commercial banks
- 
- 10** Which of the following would cause the current account to decrease?
- A** an increase in foreign prices, P
  - B** an appreciation of the home currency
  - C** an increase in the nominal exchange rate, P
  - D** a decrease in domestic prices, P
  - E** an increase in disposable income

- 11** Which of the following has been confirmed by empirical tests of the Ricardian model?
- A** Companies tend to export goods in which they have a relatively high level of productivity.
  - B** The unimportance of economies of scale as a cause of trade.
  - C** International trade has no impact on income distribution.
  - D** The existence of nontraded goods results in a high degree of specialization among countries.
  - E** All predictions of the model for a multi-product, multi-country world are highly unrealistic.

- 12** An import tariff will cause the terms of trade of the \_\_\_\_\_ country to \_\_\_\_\_ and will \_\_\_\_\_ the country.
- A** importing; improve; harm
  - B** exporting; improve; benefit
  - C** exporting; improve; harm
  - D** importing; suffer; harm
  - E** importing; improve; benefit

- 13** A permanent fiscal expansion
- A** shifts the DD and the AA schedules to the right, increasing output.
  - B** shifts the DD and the AA schedules to the right, decreasing output.
  - C** shifts the DD and the AA schedules to the left, leaving output the same.
  - D** shifts the DD to the right and the AA schedule to the left, leaving output the same.
  - E** shifts the DD to the left and the AA schedule to the left, decreasing output.

- 14** In the Heckscher-Ohlin model, countries are assumed to differ only in terms of their \_\_\_\_\_
- A** physical size.
  - B** available technologies.
  - C** factor endowments.
  - D** factor productivities.
  - E** tastes and preferences.

- 15** The exchange rate between currencies depends on \_\_\_\_\_
- A** the interest rate that can be earned on deposits of those countries and the national output.
  - B** the interest rate that can be earned on deposits of those currencies.
  - C** national output.
  - D** the interest rate that can be earned on deposits of those currencies and the expected future exchange rate.
  - E** the expected future exchange rate.

- 16** The existence of marginal social benefits which are not marginal benefits for the industry producing the import substitutes
- A** is an argument supporting free trade and non-governmental involvement.
  - B** is an argument supporting the use of market failures as a trade-policy strategy.
  - C** is an argument supporting the use of an optimum tariff.
  - D** is an argument rejecting free trade and supporting governmental involvement.
  - E** is an argument rejecting the domestic market failure concept.

- 17** What is the expected dollar rate of return on dollar deposits if today's exchange rate is \$1.10 per euro, next year's expected exchange rate is \$1.165 per euro, the dollar interest rate is 10%, and the euro interest rate is 5%?
- A** 10%
  - B** 0%
  - C** -1%
  - D** 11%
  - E** 15%

- 18** Assuming that the value effect dominates, the current account will increase if \_\_\_\_\_
- A** the real exchange rate decreases.
  - B** exports fall.
  - C** disposable income increases.
  - D** the real exchange rate increases.
  - E** domestic prices fall.

- 19** In the specific factors model, the effects of trade on welfare overall are \_\_\_\_\_ and for fixed factors used to produce the exported good they are \_\_\_\_\_.
- A** ambiguous; positive
  - B** positive; ambiguous
  - C** positive; positive
  - D** negative; positive
  - E** positive; negative

- 20** The degree of a factor's specificity is inversely related to \_\_\_\_\_
- A** the amount of time required to redeploy the factor to a different industry.
  - B** the mobility of the factor, with more mobile factors having less specificity.
  - C** technology differences between two countries, with a less advanced technology resulting in less factor specificity.
  - D** the cost of the factor as a proportion of the long-run total cost of production.
  - E** factor quality, with lower quality factors having a lower level of specificity.

- 21** A monopoly firm will maximize profits by producing where
- A marginal revenue is higher in the domestic market.
  - B marginal revenue is the same in domestic and foreign markets.
  - C marginal revenue is higher in foreign markets.
  - D prices are the same in domestic and foreign markets.
  - E total revenue from domestic and foreign sales is maximized.
- 
- 22** One advantage of the specialization that results from international trade is that countries can take advantage of
- A smaller countries.
  - B production diversification
  - C scale economies.
  - D taste reversals.
  - E lower transport costs.
- 
- 23** If a firm increases its output in the \_\_\_\_\_ and unit costs \_\_\_\_\_, then the firm is experiencing \_\_\_\_\_ of scale.
- A short-run; decrease; diseconomies
  - B short-run; decrease; economies
  - C long-run; decrease; economies
  - D long-run; increase; economies
  - E long-run; decrease; diseconomies
- 
- 24** If a country began exporting product A and importing product B, then, as compared to the autarky (no-trade) situation, the marginal cost of product A will
- A remain the same.
  - B decrease.
  - C increase.
  - D shift inward.
  - E shift outward.
- 
- 25** If Gambinia has many workers but very little land and even less productive capital, then, following the Heckscher-Ohlin model, in order to improve the country's economic welfare, the Gambinian government should
- A engage in free trade.
  - B protect the capital-intensive product.
  - C protect the land-intensive product.
  - D discontinue all international trade.
  - E protect the labor-intensive product.
- 
- 26** In general, which of the following do NOT tend to increase trade between two countries?
- A historical ties
  - B larger economies
  - C the existence of well controlled borders between countries
  - D mutual membership in preferential trade agreements
  - E linguistic and/or cultural affinity
- 
- 27** The U.S. sugar quota
- A results in costs to consumers that exceed the benefits to sugar producers.
  - B does not result in an efficiency loss.
  - C generates government revenue.
  - D results in net welfare benefits to the U.S. economy.
  - E results in benefits to sugar producers that exceed the cost to consumers.
- 
- 28** The median voter model
- A works well in the area of trade policy.
  - B does not work well in the area of trade policy.
  - C is not widely practiced in the United States.
  - D tends to result in biased tariff rates.
  - E is not intuitively reasonable.
- 
- 29** An economy's long-run equilibrium is
- A the equilibrium that would occur if prices were perfectly flexible.
  - B the equilibrium that would occur if prices were perfectly fixed at the full employment point.
  - C the equilibrium that would occur if prices were perfectly flexible and always adjusted immediately.
  - D the equilibrium that would occur if prices were perfectly fixed to preserve full employment.
  - E the equilibrium that would occur if prices were perfectly flexible and always adjusted immediately to preserve full employment.
- 
- 30** The argument that strategic planning is not likely to be practical due to insufficient information means that
- A due to recent cuts in the Department of the Census' sampling budgets, industry surveys are no longer reliable, so that there is no way to determine if a subsidy is in the public's interest.
  - B because of trade secrets, the government does not know true cost relationships in any given industry.
  - C even if the government had all the relevant information in a given industry, it still could not decide whether a subsidy would enhance the public's welfare.
  - D the government would need to employ its intelligence agencies in order to gain a complete understanding of the market.
  - E if the government had all the relevant information in a given industry then it could decide whether a subsidy would enhance the public's welfare.
-