

## Competitive Exams: Economics MCQs (Practice-Test 33 of 122)

1. The Ricardia theory of comparative advantage relates to
  - a. short-run outcome
  - b. long-run outcome
  - c. intermediate outcome
  - d. all the above
2. The pure theory of international trade is called so because
  - a. it is based on unrealistic assumptions
  - b. It is based on deductive prepositions
  - c. monetary aspects are kept outside the scope of analysis
  - d. it deals with static variables
3. Which one of the following assumptions is the most important assumption in the Heckscher-Ohlin theorem of international trade?
  - a. Two-factor model
  - b. Two commodities
  - c. No tariff
  - d. Constant tastes
4. match List I (Concepts) with List II (Authors) and select the correct answer using the codes given below the lists:

### List-I

- a. Barter terms of trade
- b. Double factorial terms of trade
- c. Net barter terms of trade
- d. Secular determination in terms of trade of developing countries

### List-II

- a. J S Mill
- b. Jacob Viner
- c. F W Taussig
- d. Prebisch-Singer

- |    | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
|----|----------|----------|----------|----------|
| a. | 1        | 2        | 3        | 4        |
| b. | 3        | 2        | 3        | 4        |
| c. | 2        | 3        | 4        | 1        |
| d. | 3        | 3        | 2        | 1        |

5. The country is likely to be better off after export-led growth provided that.
- a. gains from export-led-growth exceed the Losses from worsening terms of trade
  - b. gain from growth off-set the losses from worsening terms trade.
  - c. the long-term terms of trade are favorable
  - d. the elasticity of demand for import is less than unity
6. In a three country two-country model, countries Country Domestic exchange ratio
- a. 2a: 1b
  - b. 1a: 1b
  - c. 1a: 2b

As per this model, the stability in international trade is most likely at the international terms of trade of

- a. 2a: 1b
  - b. 1a: 1b
  - c. 1a: 2b
  - d. 0.5a: 1b
7. As per the given diagram, the optimum tariff at point L will be
- a. infinity cloth

b. zero

c. 1

d. -1

8. Assume that the nominal rate of tariff on imports of final commodity is 30% the nominal rate of tariff on the imported inputs is 10% and the ratio of imported inputs to the value of the final commodity is 50%. Then the effective rate of tariff will be.

a. 50%

b. 40%

c. 30%

d. 10%

9. The balance of payments of a country is in equilibrium when the

a. demand for the domestic currency is equal to its supply

b. demand for the domestic currency is the highest

c. demand for the domestic currency is the lowest

d. demand as well as supply of the domestic currency are the highest.

10. Dusenberry was of the opinion that less developed countries will have serious and adverse effect on their balance of payments due to

a. backwash effect

b. spread effect

c. demonstration effect

d. multiplier effect

11. 'Development is a continuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state then existing; while growth is a gradual and steady change in the long run which comes about by a gradual increase in the rate of savings and population' Is the well-known definition of development and growth attributed to

a. C P Kindelberger

b. U Hicks

c. J A Schumpeter

d. Ranger Nurkse

12. Consider the following statements: According to Joan Robinson, 'golden age' refers to a situation where.
- there is full employment at a high standard of living.
  - there is full utilisation of capacity.
  - the rate of growth of population is higher than the rate of growth of the economy.
  - the per capita income increases at an increasing rate.

Of these statements

- 3 and 4 are correct
  - 1 and 4 are correct
  - 1 and 3 are correct
  - 1 and 2 are correct
13. Consider the following: The process which enables
- individuals of a country to accumulate more capital.
  - increasing the knowledge, skill levels and capacities of the people of the country.
  - accumulation of tangible wealth. Accumulation of intangible wealth.

Human capital formation as a concept is better explained in terms of

- 1, 2 and 4
  - 1, 2 and 3
  - 3 and 4
  - 2 and 4
14. According to Hirschman, 'convergent' series comprise investment projects the appropriate more external economies they create and 'divergent' series comprises investment projects that create more external economies than what they appropriate. In terms of this, investments in power and transport as
- convergent series
  - divergent series
  - respectively convergent and divergent series

d. both convergent series with diminishing returns

15. Match List I (Investment criteria) with List II (Authors) and select the correct answer using the codes given below the lists:

List-I

- a. Capital turnover criterion
- b. Social marginal productivity criterion
- c. Time series criterion
- d. Ratio of reinvestment criterion

List-II

- a. Galenson-Leibenstein
- b. A. K. Sen
- c. Kahn-Chenery
- d. Buchannan-Polak

**A B C D**

---

a. 4 3 2 1

b. 4 2 3 1

c. 1 2 3 4

d. 1 3 2 4