

Course: International Trade and Policy

Week 1: Introduction: The Foundations of International Trade

Instructions: Please select the best answer for each of the following ten questions. Each question has only one correct answer.

Question 1

What is the definition of autarky?

- A) A situation where a country has a trade surplus with all its trading partners
- B) A hypothetical situation where a country does not trade at all and consumes exactly what it produces
- C) A policy of protecting domestic industries through tariffs and quotas
- D) A system where countries specialize according to their absolute advantages

Question 2

Which of the following is identified in the lecture as one of the two main sources of gains from trade?

- A) Increasing government revenue through tariffs
- B) Protecting domestic industries from foreign competition
- C) Economies of scale that lower average costs per unit
- D) Maintaining a favorable balance of trade

Question 3

What was the core belief of mercantilism regarding national wealth?

- A) A nation's wealth was measured by its productive capacity and industrial output
- B) A nation's wealth was measured by its stock of gold and silver (specie)
- C) A nation's wealth was measured by the well-being of its citizens
- D) A nation's wealth was measured by its agricultural self-sufficiency

Question 4

David Hume's Price-Specie Flow Doctrine demonstrated that:

- A) Trade deficits are permanently harmful to national prosperity
- B) A sustained trade surplus is self-defeating because it leads to inflation and reverses the surplus
- C) Countries should always maintain high tariffs to protect domestic industries
- D) Gold and silver are the only true measures of national wealth

Question 5

According to Adam Smith's concept of absolute advantage, a country should:

- A) Protect its industries from foreign competition until they mature
- B) Specialize in producing goods where it has a comparative advantage
- C) Specialize in producing goods where it uses fewer resources than another country
- D) Maintain a balance between exports and imports at all times

Question 6

Using the lecture's numerical example, if Country A takes 10 hours to produce a car and 15 hours to produce a bike, while Country B takes 20 hours to produce a car and 10 hours to produce a bike, what is the pattern of absolute advantage?

- A) Country A has absolute advantage in both goods
- B) Country B has absolute advantage in both goods
- C) Country A has absolute advantage in cars; Country B has absolute advantage in bikes
- D) Country A has absolute advantage in bikes; Country B has absolute advantage in cars

Question 7

What is the key concept that defines comparative advantage?

- A) Producing a good using fewer resources than another country
- B) Producing a good at a lower opportunity cost than another country
- C) Producing a good more quickly than another country
- D) Producing a good with higher quality than another country

Question 8

In the given lecture's example, where Country A has an absolute advantage in both goods (10 hours for cars, 15 hours for bikes; Country B: 20 hours for cars, 18 hours for bikes), what is Country A's opportunity cost of producing one car?

- A) 1.5 bikes
- B) 0.66 bikes
- C) 1.11 bikes
- D) 0.9 bikes

Question 9

In the Ricardian model, what happens to production when countries open to trade?

- A) Both countries continue producing both goods as before
- B) Each country completely specializes in the good where it has a comparative advantage
- C) Each country reduces production of both goods
- D) Countries stop producing and rely entirely on imports

Question 10

Which real-world case study does the lecture use to illustrate comparative advantage in action?

- A) The German automobile industry
- B) The Japanese electronics industry
- C) The Bangladeshi garment industry
- D) The American software industry

Answer Key:

1B, 2C, 3B, 4B, 5C, 6C, 7B, 8B, 9B, 10C