

File: Ch07; Chapter 7; Multiple-Choice Questions

**1. Dynamic factors in trade theory refer to changes in:**

- a. factor endowments
- b. technology
- c. tastes
- \*d. all of the above

**2. Doubling the amount of L and K under constant returns to scale:**

- a. doubles the output of the L-intensive commodity
- b. doubles the output of the K-intensive commodity
- c. leaves the shape of the production frontier unchanged
- \*d. all of the above.

**3. Doubling only the amount of L available under constant returns to scale:**

- a. less than doubles the output of the L-intensive commodity
- \*b. more than doubles the output of the L-intensive commodity
- c. doubles the output of the K-intensive commodity
- d. leaves the output of the K-intensive commodity unchanged

**4. The Rybczynski theorem postulates that doubling L at constant relative commodity prices:**

- a. doubles the output of the L-intensive commodity
- \*b. reduces the output of the K-intensive commodity
- c. increases the output of both commodities
- d. any of the above

**5. Doubling L is likely to:**

- a. increases the relative price of the L-intensive commodity
- b. reduces the relative price of the K-intensive commodity
- \*c. reduces the relative price of the L-intensive commodity
- d. any of the above

**6. Technical progress that increases the productivity of L proportionately more than the productivity of K is called:**

- \*a. capital saving
- b. labor saving
- c. neutral
- d. any of the above

**7. A 50 percent productivity increase in the production of commodity Y:**

- a. increases the output of commodity Y by 50 percent
- b. does not affect the output of X
- c. shifts the production frontier in the Y direction only
- \*d. any of the above

**8. Doubling L with trade in a small L-abundant nation:**

- \*a. reduces the nation's social welfare
- b. reduces the nation's terms of trade
- c. reduces the volume of trade
- d. all of the above

**9. Doubling L with trade in a large L-abundant nation:**

- a. reduces the nation's social welfare
- b. reduces the nation's terms of trade
- c. reduces the volume of trade
- \*d. all of the above

**10. If, at unchanged terms of trade, a nation wants to trade more after growth, then the nation's terms of trade can be expected to:**

- \*a. deteriorate
- b. improve
- c. remain unchanged
- d. any of the above

**11. A proportionately greater increase in the nation's supply of labor than of capital is likely to result in a deterioration in the nation's terms of trade if the nation exports:**

- a. the K-intensive commodity
- \*b. the L-intensive commodity
- c. either commodity
- d. both commodities

**12. Technical progress in the nation's export commodity:**

- \*a. may reduce the nation's welfare
- b. will reduce the nation's welfare
- c. will increase the nation's welfare
- d. leaves the nation's welfare unchanged

**13. Doubling K with trade in a large L-abundant nation:**

- a. increases the nation's welfare
- b. improves the nation's terms of trade
- c. reduces the volume of trade
- \*d. all of the above

**14. An increase in tastes for the import commodity in both nations:**

- a. reduces the volume of trade
- \*b. increases the volume of trade
- c. leaves the volume of trade unchanged
- d. any of the above

**15. An increase in tastes of the import commodity of Nation A and export in B:**

- \*a. will reduce the terms of trade of Nation A
- b. will increase the terms of trade of Nation A
- c. will reduce the terms of trade of Nation B
- d. any of the above