

Chapter 4 Unit II

The Instruments of Trade Policy

1. Explain how international trade promote economic efficiency
2. An open economy tends to have greater efficiency in the use of resource. Do you agree? Why?
3. Do you think liberal international trade will increase the competitiveness of domestic industries? If yes, How?
4. How does international trade increase domestic employment?
5. Do you consider international trade is beneficial for reducing poverty?
6. 'International trade helps in maintaining stability in prices' Explain
7. Do you support the argument that international trade help human resource development?
8. 'International trade provides stimulus to economic efficiency' Elucidate
9. Explain the merits and demerits of competition arising from international trade
10. 'International trade involves relatively higher risk' Why?
11. Explain the environmental effects of international trade on less developed countries?
12. 'International markets are not a level playing fields' Explain
13. Enumerate the possible negative labour market outcomes of international trade
14. Do you think international trade can intensify the differences between trading countries?
15. What impact will international trade have on domestic monopolies?
16. What are the negative effects on industry on account of competition from imported goods?
17. Do you think excessive stress on exports would have adverse to the interest of developing countries ?
18. How do you associate international trade with environmental damage?

19. What are the possible adverse effects of international trade on consumers ?
20. Enumerate the welfare implications of international trade.
21. 'Too much export orientation affects the sustainability of production' How?
22. How does trade increase economic efficiency?
23. What is meant by absolute advantage?
24. What is meant by opportunity cost?
25. What is the major idea behind Mercantilist's view of trade?
26. What is the essence of the theory of absolute advantage?
27. Explain the theory of absolute advantage. What is the rationale behind specialisation in products with absolute advantage?
28. Distinguish between absolute advantage and comparative advantage
29. Mention the core principle of comparative advantage.
30. What is meant by 'factor endowment' in the theory of international trade?
31. What is the crux of Heckscher-Ohlin theory of international trade?
32. What do you understand by 'factor-price equalization' in the context of international trade?
33. Do you think international trade is always beneficial? Substantiate your arguments?
34. What six major arguments against liberal international trade?
35. Do you think the developing countries will be disproportionately disadvantaged if they engage in liberal trade?
36. What consequences do you foresee for the industrial sector if a nation has greater openness of trade?
37. 'Free action of market forces in the realm of international trade can be unprofitable for the less developed countries'. Explain
38. Do you think international is a 'zero-sum game'?
39. 'International trade is not a zero-sum game' Illustrate with the theory of absolute advantage

40. Do you think absolute cost advantage is the determinant of mutually beneficial international trade? Illustrate your answer
41. Illustrate how overall output would be more when countries specialise in goods in which they have absolute advantage.
42. Using Ricardian model, explain how two countries can gain from trade? What does the Ricardian model suggest regarding the effect of trade?
43. What are the underlying reasons that explain the differences among nations? Explain the predictions from different theories in international trade.
44. Describe the reasons why international trade is opposed by many people?
45. "Specialization in production always increases the prosperity of a country" Do you agree with the statement? Substantiate your answer.
46. Explain the Heckscher-Ohlin theory of international trade.
47. Compare the classical and modern theories of international trade.
48. What is the basis for international trade according to Ricardo?
49. What are the arguments put forth in the modern theory of international trade?
50. Describe the reasons for the superiority of Heckscher Ohlin theory of international trade over the classical theory of international trade.