Unit 1

1. Adam Smith explained the international trade in the form of Absolute Difference in cost.
2. David Ricardo explained the international trade in the form of Comparative Difference in cost.
3. David Ricardo explains the principle of comparative advantage expressed in labour laws.
4. In Ricardian theory the cost of production is expressed in terms of labour.
5. The comparative advantage theory is based on constant returns to scale…..static in nature.
6. Ricardian theory is not applicable to the developing countries.
7. Hexkscher-Ohlin theory is also known as Modern theory or factor endowment theory.
8. Under H-O theory it is assumed that each commodity differs inn factor intensity.
9. Factor intensity is measured by the factor ratios, not by absolute units.
10. Production possibility curve is used to explain the factor abundance.
11. The physical abundance of factors explains the supply side.
12. Leontief Paradox is when a capital abundant country like USA exports labour intensive goods and imports capital intensive foods.
13. The H\_-O theory is expressed in terms of price theory.
14. Ricardian theory is one market theory whereas H-O theory is multi market theory.
15. The terms of trade is ratio of price of its export to the price of its import.
16. When many commodities are traded, the terms of trade os a nation is expressed by the ratio of price index.
17. The net barter terms of trade is also known as commodity terms of trade.
18. Net barter terms of trade neglects productivity of inputs.
19. The Gross barter terms of trade is given by Tausing.
20. A favourable gross barter terms of trade indicates that the country can have more imports for a given exports……means……its capacity to import increases.
21. Gross barter terms of trade is more comprehensive.
22. Gross barter terms of trade differ from the net barter terms of trade as gros barter terms of trade include unilateral transfers.
23. Gross barter terms of trade explains the changes in balance of trade/payments rather than the changes in export/import prices.
24. An improvement in income terms of trade shows the increased capacity to import.
25. The income terms of trade do not measure the gain or loss precisely.
26. The income terms of trade fails to consider the welfare aspects of trade.
27. The net barter terms of trade is used for all official purposes while measuring the terms of trade.
28. Depreciation favours the income terms of trade of the country of whose currency depreciates as with depreciation the exports become cheaper.
29. The concept of reciprocal demand is given by J S Mill.
30. Reciprocal demand explanation assumes that the production is subject to constant returns to scale.
31. The strength and elasticity of each country’s demand for other country’s product is known as reciprocal demand.
32. An offer curve is the graphical representation of reciprocal demand.
33. The theory of reciprocal demand is valid if the two countries involved are of equal size.
34. A shift in the offer curve changes the extent of gains from trade.