1. GDP per capita as a measure of “standard of living” in an economy is:

Select one:

a. an excellent measure, as it captures all of the most important aspects of standard of living

b. a somewhat flawed measure, because bigger populations would always have larger GDP per capita

**c. a flawed measure, but it does capture an important aspect of standard of living, although it also ignores many other key aspects.**

d. a highly flawed measure, because it measures the quantity of production, which has nothing to do with the standard of living

2. Which of the following statements is used as an argument **FOR** free trade?

Select one:

a. Trade causes the loss of expertise in the domestic industries that compete against the imported goods and services.

**b. If domestic industries are protected against free trade, domestic consumers suffer because they have to pay higher prices for those goods and services than they would have to if free trade was allowed.**

c. Dumping of surplus production at less than cost price can severely impact domestic industries that compete against the imported goods and service.

d. Unemployment occurs in the domestic industries that compete against the imported goods and services.

3. The trade balance is:

Select one:

a. exports of goods plus imports of goods. It does not include services

b. exports of goods, minus imports of goods. It does not include services.

c. exports of goods plus imports of goods, minus exports of services plus imports of services.

**d. exports of goods and services, minus imports of goods and services.**

4. "Exports are production in the economy that is sold to people outside the economy. Therefore, they result in an extra inflow of income which is expansionary." This statement is true. Which of the following statements about international trade is also true?

Select one:

a. If imports are greater than exports, then the country has a trade deficit, and this is a problem for the economy.

b. All countries ought to focus on their bilateral trade balance to improve global trade.

c. Imports are the opposite to exports. Because they shift income out of the country, they must be bad for the economy.

**d. Imports allow consumers to buy cheaper and/or better goods. This contributes to an increase in the welfare of people in the economy.**

5. Which of the following alternatives best describes the relationship between GDP and the level of inflation (the change in Prices) in the economy?

Select one:

a. Real GDP is the actual measurement of GDP for the year, not the forecast or estimated measure, so that the GDP of different years can be compared.

b. GDP is a measure of production in the economy, and therefore inflation is irrelevant when comparing GDP of different years.

c. GDP is a measure of production in the economy, and because inflation is constant it is irrelevant when comparing GDP of different years.

**d. Real GDP is the GDP adjusted to correct for inflation so that the GDP of different years can be compared to the reference year.**

6. If the exchange rate went from $AUS1 = 76 Japanese Yen on the 3rd of July, to $AUS1 = 80 Japanese Yen on the 1st of August a few weeks later, which of the following statements would be true?

Select one:

a. The Australian dollar has depreciated against the Japanese yen, and Australian exports to Japan are likely to decrease.

b. The Australian dollar has depreciated against the Japanese yen, and Australian exports to Japan are likely to increase.

c. The Australian dollar has appreciated against the Japanese yen, and Australian exports to Japan are likely to increase.

**d. The Australian dollar has appreciated against the Japanese yen, and Australian exports to Japan are likely to decrease.**

7. The theory of absolute and comparative advantage make some statements about the benefits of international trade. Which of the following statements is consistent with the theory?

Select one:

a. International trade is beneficial only if the country has an absolute advantage over its trading partners for the traded item.

b. International trade is beneficial only if the trading partners have an absolute advantage over other countries not included in the trade.

c. Comparative advantages are quite rare, so only a small amount of trade is generally beneficial.

**d. Comparative advantages exist, even when one country has an absolute advantage in producing all the items.**

8. Which of the following alternatives best describes a theoretical argument for free trade?

Select one:

**a. free trade benefits both the sellers and the buyers because the sellers can sell more and the buyers can get cheaper prices**

b. free trade benefits the buyers of the goods not the sellers, because it means they can buy those goods cheaper

c. neither buyers nor sellers benefit in the long run because imports are cheaper but local production is ruined

d. free trade benefits the sellers of the goods not the buyers, because it means they can sell more of their goods

9. As described in the Tutorial 1 reading, which of the following alternatives does NOT support real GDP per capita as a useful indicator in the measurement of the standard of living? Select one:

Select one:

a. The Human Development Index

**b. The Index of Social Health**

c. Real GDP per capita

d. The Genuine Progress Indicator

10. When calculating the GDP for Australia, we calculate the total value of new goods and services produced by organisations:

Select one:

**a. located in Australia, including those goods and services exported overseas.**

b. located in Australia, except for goods and services exported overseas

c. located in Australia, except for the goods and services produced by foreign-owned companies in Australia

d. located in Australia plus Australian owned companies located overseas