

Fall Semester 2015

ECON5335 – International Economics

Mid-Term Exam Review

General

- You will have 90 minutes to do the exam
- Calculators are permitted
- No notes or books or other materials permitted
- All questions will be answered in pen or pencil legibly written on the exam

Section A – Short answer questions (Do 5 out of 6 questions) 8% each (= 40% of total)

1. Define comparative advantage. In the Ricardian model, what determines comparative advantage?
2. Explain consumer and producer surplus. Why is this important when evaluating the economic effects of government actions?
3. What is the difference between bi-lateral and multi-lateral trade liberalization? Do you think these two types of trade liberalization are complements or substitutes?

Section B – Long answer questions - do 2 out of 3 questions (= 60% of total)

1. What drives comparative advantage in the Heckscher-Ohlin trade model? Explain the Leontief paradox and the Factor Price Equalization theory. What type of trade patterns are likely to be explained by the Heckscher-Ohlin model? Give some examples.
2. What are the main functions of the WTO? How does the WTO's dispute settlement mechanism work? Why do you think the WTO has such a bad reputation in some quarters, and how might it improve its reputation?