

Do NOT write your name anywhere. (Canvas will tell me who turned in the exam.) Take pictures of your answers and use your own software or <https://pdfcandy.com/> to create a PDF. Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow directions will cost you one point.

The test has 8 questions.

Failure to follow these directions will cost you 1 point. The test has 150 points (to be scaled up to 210 points) and is scheduled to take 75 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I have it set up to only give you an hour and a half.

1) (10 points) Answer EITHER Part A OR Part B.

A) When forming a customs union, when are you likely to have trade diversion less than trade creation, when the countries are similar (USA and Canada) or complementary (USA and India)? Explain your logic.

B) The Uruguay Round of GATT and the WTO say that quotas should be replaced with tariffs. Why?

2) (14 points) For EITHER the infant industry argument OR countervailing duties on predatory dumping, Explain the argument for restricting trade. Is that a strong or weak argument? Explain your logic.

3) (16 points) Answer EITHER Part A OR Part B.

A) State the Stolper-Samuelson Theorem. Explain why it makes sense referencing the Rybczynski Theorem.

B) Draw the offer curve diagram for two countries where the capital abundant country has put on the optimal tariff. Explain how you know it is the optimum tariff.

4) (18 points) Answer EITHER Part A OR Part B.

A) Draw the graph for a monopolistically competitive industry which has the price on the vertical axis and the number of firms on the horizontal axis. The lines are the marginal cost and the price. Illustrate the effects of opening up to trade. Explain why the curve(s) moved as drawn.

B) For TWO of the following industries, determine if it is resource oriented, market oriented, or footloose. Explain your logic. steel, restaurants, and recorded music.

5) (22 points) Answer EITHER Part A OR Part B.

A) Draw the supply/demand for a small country's import. Illustrate the effects of an import quota. Find the consumer surplus, producer surplus, and dead-weight loss for after the quota. Briefly state how you found them.

B) Draw the supply/demand for a small country's export. Illustrate the effects of an export quota. Find the consumer surplus, producer surplus, and dead-weight loss for after the quota. Briefly state how you found them.

6) (22 points) Answer EITHER Part A OR Part B.

A) Draw the supply/demand diagram for a country entering a customs union. Draw the graph for a product they currently import from a country which will not be in the customs union. Therefore, there is trade creation and trade diversion. Find the trade creation and the trade diversion. State how you found them. Do NOT worry about consumer surplus or producer surplus.

B) Draw the supply/demand diagram for a country entering a customs union. Draw the graph for a product they currently import from a country which will be in the customs union. Find consumer surplus, producer surplus, tariff revenue, and dead-weight loss for both before the customs union and after.

7) (22 points) Answer EITHER Part A OR Part B.

A) Draw the supply/demand diagram for a product which a small country exports. Illustrate the effects of an export tariff. Explain why the curve(s) moved as drawn. What are consumer surplus, producer surplus, tariff revenue, and dead-weight loss after the tariff? Briefly state how you found each one.

B) Draw the supply/demand diagram for a product which a large country imports. Illustrate the effects of an import tariff. Explain why the curve(s) moved as drawn. What are consumer surplus, producer surplus, tariff revenue, and dead-weight loss after the tariff? Briefly state how you found each one.

8) (26 points) Answer EITHER Part A OR Part B.

A) Draw the PPF/CPF/indifference curve diagram for a capital abundant country. Have the products be cars and art. Draw immiserizing growth. What event caused the growth? Explain why the curves moved as drawn. Explain how you know it shows immiserizing growth.

B) Draw the PPF/CPF/indifference curve diagram for a small, labor abundant country. Also draw the offer curve diagram for that country and its trading partner. Illustrate the effects of an increase in labor in the small country. Explain why the curve moved as drawn.