

ECONOMICS 652
FINAL EXAM QUESTIONS
Professor Glass
May 2005

Provide complete answers to **two** of the following questions within three hours:

1. State and prove a simple (two good) and a general (many goods) version of the principle of **comparative advantage**. Discuss the importance of this theorem to international trade theory – why do we care?

2. State and prove a simple (two goods and factors) and a general (many goods and factors) version of the **Rybczynski** theorem (in the HOS model). Discuss briefly what happens in the Specific Factors model where there are more factors than goods – how are the effects different?

3. Demonstrate that under **oligopoly** an export subsidy can raise domestic welfare. Discuss briefly the robustness of this result.