

PRACTICE EXAM QUESTIONS

1. Give a simple and a general proof of the **gains from trade**. Explain any necessary conditions for free trade to be Pareto-superior to autarky.
2. State and prove a simple and a general version of the principle of **comparative advantage**. What problems emerge in higher dimensions?
3. State versions of the **factor price equalization** theorem and prove a simple and a general version. Discuss the necessary conditions and why they are necessary.
4. State versions of the **Stolper-Samuelson** theorem and prove a simple and a general version. Why do we care about such generality?
5. State versions of the **Rybczynski** theorem and prove a simple and a general version. What role does mobility of factors between sectors play?
6. State versions of the **Heckscher-Ohlin** theorem and prove a simple and a general version. What are the pros and cons of basing predictions on price versus quantity versions?
7. Show how **oligopoly** can provide a basis for trade. How might trade policy differ from policies adopted when trade occurs for other reasons?
8. Show how **increasing returns to scale** can provide a basis for trade. Discuss the practical relevance of this analysis.
9. Show how **differentiated goods** can provide a basis for intraindustry trade. Discuss the distributional implications of intraindustry trade relative to interindustry trade.
10. What is the OLI paradigm regarding **foreign direct investment**? Discuss the implications of L and I for the relationship between FDI and differences in factor endowments across countries.
11. Show how **political economy** considerations can explain why free trade is often not observed. What explains the variation across industries and across countries in the extent of protection when governments place a positive weight on political support? [SKIPPED]