

NAME: _____

Student ID No.: _____

**Economics 340
International Economics
Prof. Alan Deardorff
First Midterm Exam**

Answers

February 16, 2009

INSTRUCTIONS: READ CAREFULLY!!!

1. Please do not open the exam until you are told to do so.
2. **PLACE YOUR NAME AND STUDENT ID NO. (THE EIGHT DIGIT NUMBER FROM YOUR M-CARD) ON THE EXAM AND ON THE SCANTRON SHEET.**
3. **After** you are told to open the exam, find the **FORM NUMBER** at the top of page 2 and copy it to the scantron sheet.
4. This exam has 100 points and you have approximately 80 minutes to complete the test. Check that you have all ?? pages of the exam, including this cover sheet.
5. **Part 1** consists of 25 multiple choice questions worth 2 points each. Answers to these should be marked on the scantron sheet using a #2 pencil. There are no penalties for guessing.
6. **Part 2** consists of short-answer questions for which you must provide written answers on these sheets. Point values for questions in Part 2 are indicated in parentheses. Part 2 has 48 points total.
7. That leaves 2 points unaccounted for. You will get these if (and only if) you put your name and ID number on both this exam booklet and the scantron sheet, **and** if you enter the form number (see above) on the scantron.
8. Good luck!

FORM 0

Economics 340 First Midterm Exam

Part 1: Multiple Choice (2 points each)

Select the **best** answer of those given. Answers to this part should be marked on the scantron sheet using a #2 pencil. There is only one correct answer per question, and there is no penalty for guessing.

1. The reading by Powell and Udayakumar argues that globalization leads to lower taxes, and that this is
 - a. Good for the poor because it increases their take-home pay.
 - b. Bad for the poor because they would otherwise be employed collecting taxes.
 - c. Good for the poor because it makes food cheaper.
 - d. Bad for the poor because they depend on public-sector services.
 - e. Irrelevant for the poor, because they don't pay taxes.

Ans: d

2. Which of the following statements about losses from trade or trade policy is correct?
 - a. The United States has lost from trade during the last fifty years, because its exports have risen more slowly than its GDP.
 - b. Poor countries are hurt by the structure of developed country tariffs, which are lowest on processed goods that developing countries are unable to produce.
 - c. Poor countries lose more than rich countries from the tariffs that exist today, because tariffs on their exports are higher than on developed-country exports.
 - d. NAFTA hurt the Mexican manufacturing sector at the same time that it benefited Mexican farmers.
 - e. The United States has little to gain from trade liberalization by developing countries, because only a negligible portion of US exports go to them.

Ans: c

3. In the data showing the products that the world trades and the growth in the value of that trade over 2000-2007, which of the following world exports grew the fastest?
- Agriculture
 - Fuels and mining
 - Office and telecom equipment
 - Automotive products
 - Textiles and clothing

Ans: b

4. Which of the following is a “beggar thy neighbor” policy, and why?
- High tariffs on trade, because they divert demand away from what foreigners produce.
 - Export subsidies, because they reduce foreign consumer surplus.
 - Low tariffs on trade, because trade lowers the wages of workers in other countries.
 - Competitive devaluation of a currency, because it reduces the value of domestic assets owned by foreigners.
 - Quotas on imports, because they deprive foreign firms of rents.

Ans: a

5. Since 2005, the US dollar value of the Chinese currency, the yuan, has
- Fallen about 20%.
 - Fallen until 2007, then risen back to what it was before.
 - Risen steadily, and is still rising today.
 - Risen about 20% to July 2008, then stayed constant.
 - Remained unchanged

Ans: d

6. Alan can write an economics lecture in 3 hours. Bob can write the same lecture in 1 hour. Based on this information alone, who has a comparative advantage in writing economics lectures?
- Alan
 - Bob
 - Both Alan and Bob
 - Neither Alan nor Bob
 - We can't tell. There is not enough information here to determine comparative advantage