

NAME: _____

Student ID No.: _____

**Economics 340
International Economics
Prof. Alan Deardorff
Final Exam**

Answers

December 18, 2007

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 120 minutes to complete the test. Check that you have all ?? pages of the exam, including this cover sheet.
5. **Part 1** consists of 48 multiple choice questions worth 1 point 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 50 points worth 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.
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. Note that you must fill in circles on the scantron for the computer to read your name, ID, and form number, as well as your answers.
8. Good luck!

FORM 0

Economics 340 Final Exam

Part 1: Multiple Choice (1 point 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. In the year 2006, how much did the United States export as a percentage of its GDP?
 - a. 1%
 - b. 3%
 - c. 8%
 - d. 21%
 - e. 52%

Ans: c

2. The acronym ITO stands for
 - a. International Trade Organization, which governed international trade policy for almost five decades before being replaced by the WTO.
 - b. Interbank Transfer Operation, the mechanism overseen by the IMF to facilitate the pegging of exchange rates.
 - c. International Tariff Office, the part of the UN within which national Customs Offices cooperate.
 - d. International Trade Organization, which was proposed to govern trade policy but was never ratified.
 - e. International Tariff Office, the independent agency of the US government that levies tariffs against subsidized imports.

Ans: d

3. During the half century since the end of World War II,
- The major currencies of the world, which initially had flexible exchange rates, have become fixed.
 - The GATT has been transformed into the WTO.
 - The World Bank has switched from providing assistance to poor countries to primarily settling transactions among rich countries.
 - The IMF has changed from being a members-only bank to being a mutual fund for investment in emerging-economy stock markets.
 - Average tariffs levied by developed countries against developing country exports have increased.

Ans: b

4. Suppose the world has two countries, Alpha and Beta, producing two goods, odds and ends. If Alpha has a comparative advantage in producing odds compared to Beta, then
- In autarky the relative price of ends must be higher in Alpha than in Beta.
 - In autarky Beta must produce more ends than Alpha.
 - In free trade, the wage in Alpha must be higher than in Beta.
 - In free trade, Beta must import ends.
 - In free trade, neither country will produce ends.

Ans: a