

SAMPLE EXAM QUESTIONS FOR FALL 2013 ECON3315/4325 MIDTERM 2

Exam will take place on Tuesday December 3rd in class. Please provide your own “Blue book” for the exam (- available from the University bookstore).

PART I - Short questions: Answer all 10 questions (20% of total marks)

What do the following acronyms stand for?

1. EMS
2. CAP
3. FTA

PART II – True/False/Uncertain and Why. Answer 4 out of 6 (20% of total marks)

1. An agreement to introduce either a free trade area or a customs union will have the same impact on countries outside the agreement.
2. The Lome Convention countries consist of other European countries that have preferential trade agreements with the EU.

PART III – Essay questions. Answer 3 out of 4 (60% of total marks)

1. The concepts of consumer surplus, producer surplus and tariff revenue are meant to capture the key welfare effects of trade policy. Discuss two or three aspects of socio-economic well-being that are not captured by these concepts.
2. When Otto von Bismarck (the First Chancellor of a United Germany) led the drive to unify the many small regions and nation-states of Germany in 1871, he used a customs union (Zollverein) as both a carrot and a stick to encourage unification. Use economic analysis on preferential trade agreements (especially the impact on RoW) to make sense of this strategy.
3. Some developing nations accuse the EU of using technical standards for food (pesticide content, etc.) as part of the CAP as a barrier to trade. Suppose they are correct. Use diagrams to show how you would analyse the impact of such protection on EU and RoW welfare.

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