

Fall Semester 2016

ECON3315: International Economic Issues

EXAM – 2.00pm, Tuesday December 6th, 2016

(Handout-Sit-down final: Final circulated December 1st, 2016)

Instructions:

Do 3 out of the 6 questions shown below

Write in the exam booklets, doing each question in a SEPARATE BLUE booklet

Please DOUBLE SPACE your text and only write on one side of the page.

No notes are allowed to be brought into the exam

Please write in pen, not pencil

Marks will be given for grammar, spelling etc.

This is a 75 minutes exam

1. Free trade is one of the basic principles in economics that almost every economist agrees on. What is the basis for this belief? How do economists rationalize free trade in terms of their economic models? Give examples wherever relevant.
2. A majority of countries in the world now belong to the World Trade Organization (WTO), and yet many countries (and WTO members) are also members of free trade agreements. Give some examples of how the WTO promotes trade liberalization, and give some examples of free trade agreements. Is there a contradiction between multilateral trade liberalization and free trade projects? Which do you think is best for the promotion of trade liberalization, and why?
3. What are the welfare effects of tariffs and quotas? Show this diagrammatically, and distinguish between the effects of tariffs and quotas for the home country and for the foreign country.
4. How do economists believe that exchange rates are determined, in both the short run and the long run? Make sure you detail the underlying assumptions behind the different approaches to the determination of exchange rates.
5. What different exchange rate regimes are available for countries to adopt? Describe the full range of regimes, and their different characteristics. Specify which regimes are most suitable for developing countries and developed countries, and give examples where relevant.

6. What are the steps of economic integration? Describe where NAFTA and the EU are in terms of these steps, and the challenges in moving forward in each case to accomplish deeper economic integration for each of these regional integration agreements. In your view, how might some of these challenges be overcome?

Patrick Crowley,
November 2016