

1. The Specific Factors Model implies that when a country moves from autarky to international trade, the income of the owners of the specific factors used in the production of exportable and importable goods will:

- (a) **rise in the exportable sector, and decline in the importable sector**
- (b) rise in both sectors
- (c) fall in both sectors
- (d) rise in the importable sector, and decline in the exportable sector
- (e) none of the above

2. Assume that the world economy consists of 2 large countries (the US and China). If at the same time, there is an exogenous increase in Chinese saving of 100 billion USD, and an exogenous increase in US investment by 150 billion USD, these changes together can cause:

- (a) improvement in the CAB of China and reduction in the (common) interest rate
- (b) **improvement in the CAB of China and rise in the interest rate**
- (c) deterioration in the CAB of China and reduction in the interest rate
- (d) deterioration in the CAB of China and rise in the interest rate
- (e) none of the above

3. Consider a Specific Factors Model in which labour is the mobile factor, and land and capital are the specific factors. Then, as a result of migration from country A to country B, the following changes in the incomes of workers, capitalists, and landowners are possible in country B:

- (a) workers lose 70, landowners lose 20, and capitalists gain 80.
- (b) workers lose 70, landowners lose 20, and capitalists gain 80.
- (c) **workers lose 90, landowners gain 40, and capitalists gain 60.**
- (d) workers lose 110, landowners gain 30, and capitalists gain 80.
- (e) none of the above

4. Under perfectly competitive conditions, the imposition of a tariff of €10 per unit of imports by a large country can:

- (a) increase the price paid by domestic consumers by €10, and reduce the price received by foreign producers
- (b) increase the price paid by domestic consumers by €5, and increase the price received by foreign producers by €5
- (c) increase the price paid by domestic consumers by €5, and leave the price received by domestic producers unchanged.
- (d) increase the domestic price of the imported good by €10, and leave the price received by domestic and foreign producers unchanged.
- (e) **none of the above**

5. Starting from a situation of non-preferential trade, the creation of a Customs Union (CU) between two countries will generate benefits for both countries if:

- (a) both countries imported only from the Rest of the World before the formation of the CU
- (b) **both countries imported only from their CU partner country before the formation of the CU**
- (c) trade was balanced between the two countries
- (d) both (a) and (c)
- (e) none of the above

6. Assume that the world economy consists of 2 large “countries” (the EU and the US).

An exogenous increase in the desire to save on the part of US residents can cause:

- (a) improvement in the CAB of the EU and reduction in the (common) interest rate
- (b) improvement in the CAB of the EU and rise in the interest rate
- (c) deterioration in the CAB of the EU and reduction in the interest rate
- (d) deterioration in the CAB of the EU and rise in the interest rate
- (e) none of the above

7. If an optimal tariff is imposed by a large country under perfectly competitive conditions, the following changes in the country’s CS (Consumer Surplus), PS (Producer Surplus), and TR (Tariff Revenue) are possible:

- (a) CS will fall by €100, PS will rise by €150, and TR will rise by €50.
- (b) CS will fall by €500, PS will rise by €400, and TR will rise by €200.**
- (c) CS will fall by €500, PS will rise by €300, and TR will rise by €100.
- (d) CS will fall by €500, PS will rise by €500, and TR will rise by €100.
- (e) none of the above