

INDICATIVE EXAM QUESTIONS

Questions 1-3 refer to the following Table

	LABOUR UNITS REQUIRED TO	PRODUCE 1 UNIT OF THE GOOD
	AGRICULTURAL GOODS (A)	MANUFACTURING GOODS (M)
GREECE (G)	7	15
DENMARK (D)	10	30

1. In autarky, the relative price (P_A/P_M) will be equal to:

- (a) $(7/10)$ in G, and $(15/30)$ in D.
- (b) $(10/7)$ in G, and $(30/15)$ in D
- (c) $(7/15)$ in G, and $(30/15)$ in D
- (d) $(7/15)$ in G, and $(30/10)$ in D
- (e) none of the above

2. Under Free Trade (FT) the relative price (P_A/P_M) can be equal to:

- (a) $4/15$
- (b) $6/15$
- (c) $8/15$
- (d) $15/10$
- (e) none of the above

3. Under FT Greece's wage relative to the Danish wage (W_G/W_D) can be:

- (a) smaller than $15/30$
- (b) between $15/30$ and $7/10$
- (c) between $7/10$ and $10/7$
- (d) between $10/7$ and $30/15$
- (e) none of the above

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 50 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

The imposition of a tariff by a small country can lead to the following changes in CS, PS, and TR:

- (a) CS= -60, PS=80, TR=20
- (b) CS= -70, PS=50, TR=20
- (c) CS= -80, PS=70, TR=20
- (d) CS= -70, PS=50, TR=10
- (e) none of the above

If a country is small and it moves from autarky to open capital markets, then it is certain that:

- (a) saving will increase and investment decrease
- (b) saving and investment will increase
- (c) saving and investment will decrease
- (d) saving will decrease and investment increase
- (e) none of the above

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

- (a) Unskilled workers lose 50, skilled workers lose 20, and capitalists gain 80.
- (b) Unskilled workers gain 10, skilled workers lose 70, and capitalists gain 60.
- (c) Unskilled workers gain 30, skilled workers lose 40, and capitalists gain 20.
- (d) Unskilled workers gain 70, skilled workers lose 90, and capitalists gain 20.
- (e) None of the above