

## MIDTERM EXAM REVIEW

### International Economics

#### Dr. McGahagan

The outline below is meant as a useful but not necessarily comprehensive guide to your exam review. It should cover most of the ingredients you need to get a good grade on the exam, but although I can guarantee you that (for example) Ricardo and Heckscher and Stolper-Samuelson will show up, I don't know myself right now whether they will show up in a multiple choice question, a calculation or graph based on their ideas or an open-ended question.

The exam will include multiple choice questions, graphical questions and true/false/uncertain (and explain) questions. For examples of the last and for a good general exam review, go to the "Guide to Pugel text" page on the course home page, and click on Vincenzo Quadrini's "International Trade and Commercial Policies" His PDF (or Powerpoints) under the heading "Why countries trade" is a very good review of Pugel. His problem set 2 includes several questions of the true/false/uncertain variety.

You should be able to identify the following people (and maybe one or three others):

|                |                |                    |
|----------------|----------------|--------------------|
| Thomas Mun     | Thomas Malthus | Bertil Ohlin       |
| David Hume     | David Ricardo  | Wolfgang Stolper   |
| Adam Smith     | Eli Heckscher  | Paul Samuelson     |
| Charles Cobb   | Paul Douglas   | Wassily Leontief   |
| Edward Leamer  | Paul Krugman   | Jeffrey Williamson |
| Daniel Trefler | Don Davis      | Kevin O' Rourke    |
| Bela Balassa   | Frederich List | Alexander Hamilton |

You should be able to carefully and precisely define, relate, and distinguish the following terms

- absolute advantage / comparative advantage
- diminishing returns to a single factor / increasing returns to scale
- revealed comparative advantage / index of interindustry trade
- factor intensity / factor abundance
- input-output tables, Leontief paradox and factor intensity reversal.
- Ricardian, Cobb-Douglas and Leontief production functions
- Ricardian and Heckscher-Ohlin theories of trade: what are their different assumptions and conclusions?
- monopoly / monopolistic competition and implications for trade.

Of course, you should be able to draw appropriate graphs and use the basic graphical tools we have met:

- production possibility frontier (and relate to Ricardian and Cobb-Douglas and Leontief production functions)
- indifference curves (and relate to the Cobb-Douglas type of utility function)
- consumption possibility frontier/price line/trade line (3 terms for the same thing)
  - and explain how the slope of the CPF shows a price ratio,
  - and how that slope changes when prices change.
- show graphically how do production points and consumption points change when prices change and what the volume of exports and imports will be
- show graphically how production points and consumption points change when an economy grows (with balanced and unbalanced growth, and with prices the same or changing).