

9,250 International Trade Theory

Practice Midterm Exam

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This practice exam should take you no more than 90 minutes to complete.

Please answer two questions from section A and one question from Section B.

Section A.

1. State and prove the Factor Price Equalisation theorem.
2. Demonstrate that a rise in the price of high-skill-intensive intermediate good reduces the return on low-skill workers compared to their higher skilled counterparts.
3. Which of the classic theorems of the 2x2x2 Heckscher-Ohlin model generalises to the case when the number of goods equals the number of factors?
4. What is a factor price reversal and which of the classic theorems of the 2x2x2 Heckscher-Ohlin model require ruling them out? Why?

Section B.

5. Has Leontief's Paradox been resolved?
6. Does introducing international differences in technology into the Heckscher-Ohlin-Vanek model really improve the performance of the factor endowment-based theories of trade--or does this solution beg more questions than it answers?
7. To what extent are American wages set in Beijing?