

Written exam for the B.Sc. or M. Sc. in Economics summer 2015

International Economics

Final Exam

August 11, 2015

3-hour closed book exam

All problems must be answered.

Please note that the language used in your exam paper must correspond to the language of the title for which you registered during exam registration. I.e. if you registered for the English title of the course, you must write your exam paper in English. Likewise, if you registered for the Danish title of the course or if you registered for the English title which was followed by “eksamen på dansk” in brackets, you must write your exam paper in Danish.

This exam question consists of two pages in total including this page.

PROBLEM 1

Determine if the following statements are true or false. Provide a short explanation.

- 1.1 Everyone gains from trade in the Ricardian model.
- 1.2 The effect on trade from joining a currency union may be overstated if cross section data is used.
- 1.3 Domestic market failures may be used as an argument against free trade.
- 1.4 Everyone gains from international labor mobility.
- 1.5 Trade models cannot explain the fact that only a subset of firms within industries export.
- 1.6 The benefit from doing greenfield investments is lower fixed costs.
- 1.7 The concept of offshoring captures both foreign outsourcing and vertical foreign direct investments.

PROBLEM 2

The Hecksher-Ohlin Model.

- 2.1 List the assumptions in the Hecksher-Ohlin model and discuss the type of trade it aims to explain.
- 2.2 Explain the main results derived in the Hecksher-Ohlin model.
- 2.3 Discuss the empirical evidence for the Hecksher-Ohlin model. Related to this, are some assumptions in the Hecksher-Ohlin model particularly problematic?