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| **Tenttipäivä / Date: 26.2.2015** | |

**Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam:**
**72410A, Global Economics, Exam 3**

**Tentaattori(t)/ Examiner(s): Marko Korhonen**

**Sallitut apuvälineet rastitettu/ The devices allowed in the exam marked with a cross:**
Laskin (ei graafinen/ohjelmoitava)/Calculator (not graphic, programmable)   Sanakirja/Dictionary
 No                                                                          No

Muu materiaali, tarkennettu alla/Other material, specified below
No

**Voit vastata tenttiin / You may answer the questions  x** suomeksi/ in Finnish        **x**   englanniksi/ in English

**Kysymyspaperi on palautettava / Paper with exam questions must be returned**:  x Kyllä/Yes                Ei/No

The exam consists of 20 multiple choice questions. Each question has only one correct (or clearly best) answer. You get +2.5 points for a right answer, zero point for no answer, and -1 point for a wrong answer. Maximum number of points from this exam is 50. **You need to return both the answer sheet and the question sheets**. Good luck for the exam!

Name / *nimi*:                                              ID number / *henkilötunnus*:

_____              _____
Student number / *opiskelijanumero*:             Grading / *tentin arvostelu*:

_____              _____

**Answer the questions by circling the right answer.**

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|---|---|---|---|---|---|---|---|---|---|
| 0. | a) | b) | | | | | | | |
| 1. | a) | b) | c) | d) | 11. | a) | b) | c) | d) |
| 2. | a) | b) | c) | d) | 12. | a) | b) | c) | d) |
| 3. | a) | b) | c) | d) | 13. | a) | b) | c) | d) |
| 4. | a) | b) | c) | d) | 14. | a) | b) | c) | d) |
| 5. | a) | b) | c) | d) | 15. | a) | b) | c) | d) |
| 6. | a) | b) | c) | d) | 16. | a) | b) | c) | d) |
| 7. | a) | b) | c) | d) | 17. | a) | b) | c) | d) |
| 8. | a) | b) | c) | d) | 18. | a) | b) | c) | d) |
| 9. | a) | b) | c) | d) | 19. | a) | b) | c) | d) |
| 10. | a) | b) | c) | d) | 20. | a) | b) | c) | d) |

**CHOOSE THE CORRECT ANSWER. EXPLANATION IS NOT REQUIRED**.

0.  Would you like to be graded (**no answer = b**)

    a)  2 midterms (50%) + final exam (50%)

    b)  Final exam (100%)

1. Which of the following is NOT a reason why countries trade goods with one another?

A) differences in technology used in different countries

B) differences in countries' total amount of resources

C) the proximity of countries to one another

D) differences in countries' languages and cultures

2. David Ricardo's model, which provided an explanation of why nations trade, was based on:

A) labor productivity.

B) technology.

C) population.

D) government control.

3. The argument that trade generates gains for all workers may NOT be true because:

A) a more realistic assumption includes capital and land as factors of production and recognizes that trade will generate gains for some factors and losses for others.

B) greedy corporations exploit workers.

C) technology gains are concentrated among low-skill workers.

D) some workers lack skills and training and cannot find jobs.

4. In contrast to the Ricardian model, international trade in the specific-factors model:

A) will lead to gains for all resources.

B) will lead to losses for all resources

C) will lead to gains for some resources and losses for other resources.

D) will not cause changes in the returns of any resources.

5. The implication of resources being mobile domestically is that:

A) there is often unemployment.

B) capital and land are often not suited for use in other industries.

C) labor and capital are paid the same wage and rental price in all domestic industries.

D) they lose the chance to become guest workers in other nations.

6. The Mariel boatlift of Cuban immigrants into Miami caused the:

A) population of unskilled workers in Miami to decline.

B) population of skilled workers in Miami to decline.

C) supply of labor to increase, but it did not decrease the wages.

D) wages of all workers to decline.

7. Intra-industry trade refers:

A) to imports and exports within the same industry.

B) to imports and exports originating in different industries.

C) to international trade patterns predicted by the Heckscher-Ohlin model.

D) to Ricardian comparative advantage.

8. Consider the following cost information for a monopolist: its MR = \$15, its MC = \$23, and it is producing 9 units of output. Which of the following statements is correct?

A)The monopolist should produce and sell 9 units of output.

B)The monopolist should increase production of output.

C)We need more information to decide if the firm needs to produce.

D)The monopolist should not produce this output because MR < MC.

9. An international conference in Bretton Woods, New Hampshire, in 1944 resulted in the formation of:

A) the European Union in 1945.

B) the Kyoto Agreement in 1971.

C) the General Agreement on Tariffs and Trade (GATT) in 1947.

D) the International Red Cross in 1955.

10. A small country in international trade faces:

A) a perfectly elastic world supply curve.

B) a perfectly inelastic world supply curve.

C) a perfectly elastic world demand curve.

D) a perfectly inelastic world demand curve.

11. Countries with good institutions have:

A) higher per capita income.

B) greater income volatility.

C) higher per capita income and greater income volatility.

D)lower per capita income.

12. The idea of dollarization is:

A) the use of domestic currency in a variable proportion with neighboring countries' currency.

B) the use of the U.S. dollar for paying the native country's debt.

C) a nation's use of a foreign currency over which it has no policy control.

D) the use of domestic currency in countries in Europe that are not part of the European Union

13. The equation E\$/£ = 2 means that:

A) one dollar buys 2 pounds.

B) one dollar buys 1/2 a pound.

C) 2 pounds buy one dollar.

D) one dollar buys one pound.

14. If, in 2000, $1 = 1.5 euros, and in 2007, $1 = 0.9 euros, which of the following statements would be TRUE?

A) More American tourists will find it cheaper to travel to Europe.

B) More Europeans will stay home as visits to the United States become more expensive.

C) Europeans will import fewer products from the United States.

D) Americans will import fewer products from Europe.

15. The monetary approach to exchange rates describes:

A) long-run relationships between money, prices, and exchange rates.

B) a short-run relationship between exchange rates and interest rates.

C) a short-run measure of fluctuations in exchange rates.

D) a theory based on the idea that exchange rates are constant in the long run.

16. Absolute purchasing power parity implies that:

A) the price of a basket of goods is cheaper in one country than in another.

B) the price of a basket of goods is more expensive in one country than in another.

C) the price of a basket of goods is the same in the two countries.

D) the exchange rate is artificially held constant.

17. Which of the following is NOT an assumption of the behavior of exchange rates in the short run?

A) The adjustment period of time involves weeks rather than years.

B) Market forces are irrelevant and "do not matter."

C) Prices of goods adjust slowly and are therefore "sticky."

D) Economic actors behave in their own self-interest.

18. A key component of the asset approach to exchange rates is being able to gauge accurately:

A) the price level.

B) the rate of inflation.

C) expected future exchange rates.

D) the GDP gap.

19. What is the eurozone?

A) a common European defense system supplemented by radar and strategic monitoring systems

B) a trade agreement among the nations of Europe not to impose tariffs on each other

C) a group of European nations that have adopted a common currency.

D) regions of the world that allow traders to make bank deposits in euros

20. Which of the following would suggest Serbia is a good candidate to join the European monetary union, according to the standard optimal currency area theory?

A) Serbia trades more with Russia than with Western Europe.

B) Serbia has a strong economy at present while Western Europe is in recession.

C) There is low labor mobility between Serbia and Western Europe.

D) None of the above.