



Tentin päivämäärä / Date of exam: 16.12.2015	Tentin kesto tunteina / Exam in hours: 4
Tiedekunta / Faculty: OBS	
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: 724210A, Global Economics, Exam 1	
Tentaattori(t) / Examiner(s): Korhonen, Marko	Sisäinen postios. / Internal address OBS, TaTK
Sallitut apuvälineet / The devices allowed in the exam: <input type="checkbox"/> Nelilaskin / Standard calculator <input type="checkbox"/> Funktiolaskin / Scientific calculator <input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:	
Tenttiin vastaaminen / Please answer the questions: <input checked="" type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

The exam consists of 20 multiple choice questions. Each question has only one correct (or clearly best) answer. You get +5 points for a right answer, zero point for no answer, and -2.5 points for a wrong answer. Maximum number of points from this exam is 100. **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.

- | | | | | | | | | | |
|-----|----|----|----|----|-----|----|----|----|----|
| 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) |

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. The focus of the Ricardian model is on how:
 - A) countries' resource bases explain international trade
 - B) countries' different technologies explain international trade
 - C) transportation costs explain international trade
 - D) different languages and cultures explain international trade

3. In contrast to Ricardian model, international trade in the specific-factor 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

4. Why is the PPF bowed out in the Heckscher-Ohlin model?
 - A) capital is specific to the production of one good
 - B) labor is specific to the production of the other good
 - C) there are increasing opportunity costs of producing each good
 - D) labor is not perfectly mobile between the production of the two goods

5. The specific –factors model predicts that after immigration, the equilibrium wage in both industries in the destination nation
 - A) rises
 - B) falls
 - C) remains the same
 - D) cannot be determined with the information given

6. U.S and European immigration policies are best described as welcoming
 - A) all foreign workers
 - B) foreign workers in most industries
 - C) foreign workers in select industries
 - D) no foreign workers

7. Suppose that imports and exports in an industry are \$100 million and \$200 million, respectively. Will the index of intra-industry trade for this industry rise, fall, or remain unchanged if exports fall to \$100 million
 - A) it will rise
 - B) it will fall
 - C) it will remain unchanged
 - D) there is not enough information to determine how the index will change

8. What will happen when a firm raises the price of a differentiated product in an imperfectly competitive market
 - A) it will see lower sales but will not lose all its sales
 - B) it will lose all its sales to competitor firms
 - C) it will actually get new customers from other firms
 - D) it will see an increase in revenues

9. In the long-run, profits in a monopolistic competition are zero because:
 - A) of government regulations
 - B) of collusion
 - C) firms are free to enter and exit the market
 - D) firms produce a differentiated product

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. In general, a tariff reduces the national welfare of the small importing nation because:

- A) there is a fall in producer surplus
- B) there is a rise in consumer surplus
- C) the gain in consumer surplus is smaller than the loss in producer surplus
- D) the gain in producer surplus is smaller than the loss in consumer surplus

12. Which of the following is NOT an effect of an import tariff?

- A) It increases producer surplus by raising the market price and allowing more production
- B) It raises government revenue
- C) It reduces consumer surplus by raising the market price
- D) It improves efficiency in the economy overall because it saves high-paying jobs

13. If a nation's currency buys fewer units of a foreign currency today than yesterday, we say that the value of its currency has

- A) appreciated
- B) depreciated
- C) stagnated
- D) become inverted

14. The forward contract differs from a futures contract in that

- A) the forward contract is to be settled immediately
- B) the futures contract specifies a fixed amount and arranged date, whereas the forward contract can be for any amount or date
- C) the futures contract cannot be traded in a market, whereas the forward contract can be bought in the market
- D) forward contracts are standardized, whereas futures contracts are not standardized

15. The monetary approach to exchange rates describes:
- A) a long-run relationship 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. What is the situation when a home currency purchases more goods and services at home than abroad when converted to a foreign currency?
- A) The domestic currency is undervalued
 - B) The domestic currency is overvalued
 - C) The domestic currency is unstable
 - D) the domestic currency is depreciating
17. Evidence suggests that convergence to PPP occurs:
- A) instantly, as arbitrageurs take advantage of profit opportunities
 - B) rapidly, as arbitrageurs learn of profit opportunities
 - C) slowly, as arbitrageurs operate, and production, prices, and exchange rate adjust
 - D) convergence to PPP have never been observed
18. How could conditions of imperfect competition explain deviations from PPP
- A) Imperfect competition means that prices are higher than costs and may not converge
 - B) Government often restrict trade in those goods
 - C) Goods sold under conditions of imperfect competition are often inferior
 - D) Arbitrageurs do not recognize profit opportunities in these markets
19. When currencies are viewed as assets, the price of a currency is its:
- A) interest rate
 - B) exchange rate
 - C) inflation rate
 - D) growth rate

20. If the U.S. interest rate is 5% and the interest rate in Germany is 2%, and the euro is expected to appreciate by 2% over the next year, then investors would

- A) sell dollars in the spot market
- B) buy euros
- C) seek to invest in the United States
- D) seek to invest in Germany

