

YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
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Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course: Koodi / Code 72410A Tentin nimi / Exam name Global economics	
Tiedekunta / Faculty: Oulun yliopiston kauppakorkeakoulu	
Tentin pvm / Date of exam: 29.11.2016	Tentin kesto tunteina / Exam in hours: 3
Tentin nro / No. of the exam: 1. retake	Opintopistemäärä / Credit units: 5
Tentaattori(t) / Examiner(s): Marko Korhonen	Sisäinen postios. / Internal address: 6 OyKKK
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Nelilaskin / Standard calculator <input checked="" 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 Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. <u>Koulutuksen johtosääntö 18 §</u>) In a Finnish degree programme a student has a right to use Finnish language for their study attainment, even though the language of instruction is English, (excluding language studies) even when the language of instruction is other than Finnish. (See <u>the Education Regulations 18 §</u>)	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

THIS EXAM CONTAINS 6 QUESTIONS! PLEASE, ANSWER ALL OF THEM!!

1. How does trade in the modern world economy differ from trade in the past—say, 1925?

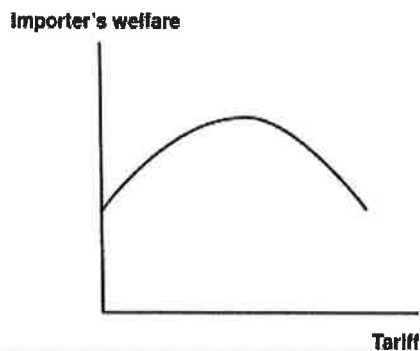
2. Suppose that:

- Malaysia requires an hour of labor to produce a pound of rice and 2 hours of labor to produce a pencil;
 - Indonesia requires 2 hours of labor to produce a pound of rice and 4 hours of labor to produce a pencil;
 - each country has 10,000 hours of labor to allocate between the production of rice and pencils; and
 - in autarky, Malaysia consumes 5,000 pounds of rice and 2,500 pencils.
- a) Which country has an absolute advantage in rice production? In pencil production?
 - b) Which country has a comparative advantage in rice production? In pencil production?
 - c) Will trade between the two countries be mutually beneficial?

3. Explain

- a) How increasing returns to scale in production can be basis for trade?
- b) Why is trade within a country greater than between countries?

4. The following graph shows the relationship between a large country importer of a good, say steel, and its tariff rate (in percentages). Explain why the curve reaches maximum and then declines.



5. Answer

- a) Explain the difference between risky and riskless arbitrage.
- b) Absolute PPP doesn't do a very good job explaining exchange rates in the short run. Explain why not. Can you give a better model to explain short-run exchange rates?

6. What are five main factors that influence migration decisions of potential migrants from developed countries? Discuss each of them shortly.