

YLEISEN TENTIN TENTTILOMAKE - GENERAL EXAM FORM

Opiskelija täyttää / Student fills in

Opiskelijan nimi / Student name: Click here to enter text.	Opiskelijanumero / Student number: Click here to enter text.
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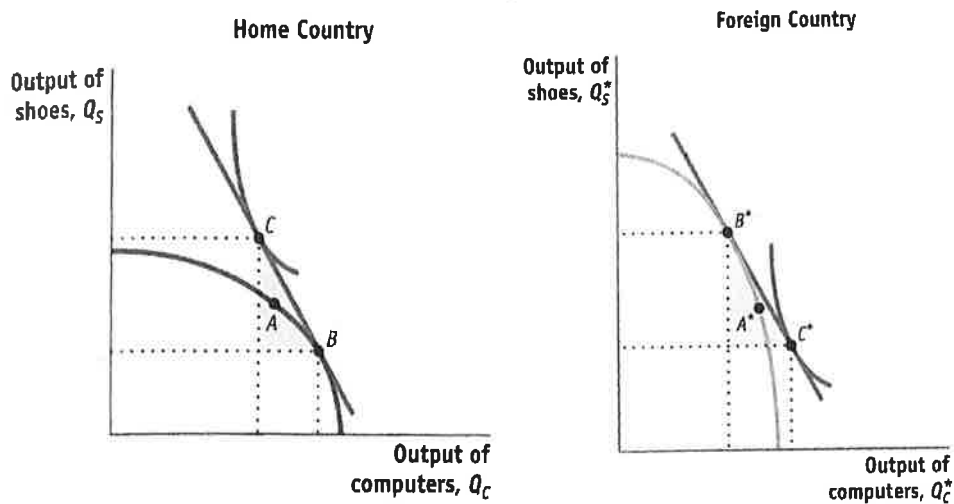
Opettaja täyttää / Lecturer fills in

Opintojakson koodi / The code of the course: 724210A	
Opintojakson (tentin) nimi / The name of the course or exam: Global Economics	
Opintopistemäärä / Credit units: 5 Mikäli kyseessä on välikoe, opintopistemääräksi täytetään 0 op. 0 ECTS Credits is used for mid-term exams.	
Tiedekunta / Faculty: Oulu Business School	
Tentin pvm / Date of exam: 17.12.2018	Tentin kesto tunteina / Exam in hours: 3 h
Tentaattori(t) / Examiner(s): Matti Koivuranta	Sisäinen postiosoite / Internal address: Matti Koivuranta, OyKKK
Tentissä sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu tentissä sallittu materiaali tai apuvälineet. Tarkenna alla. / Other material or devices, allowed in the exam. Specify below. Click here to enter text. <input type="checkbox"/> Tentissä ei ole sallittua käyttää apuvälineitä / The devices are not allowed in the exam	
Muut tenttiä koskevat ohjeet opiskelijalle (esimerkiksi kuinka moneen kysymyksen opiskelijan tulee vastata) / Other instructions for students e.g. how many questions he/she should answer: All questions should be answered	

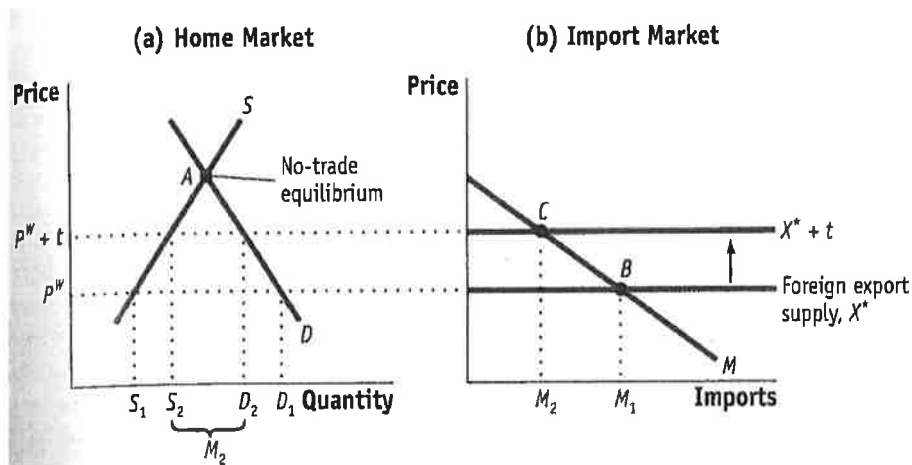
1. Determine whether following statements are true or false. Right answer is worth 0.5 points and wrong answer costs 0.5 points. The total points cannot be negative however. There is a single right answer to each item.
 1. A foreign direct investment (FDI) occurs when an investor buys a government bond issued by a foreign country.
 2. In the Ricardian model some factors of production lose and some win with introduction of free trade.
 3. Nash equilibrium has the property that it is always Pareto-efficient.
 4. Benefits of trade within the monopolistic competition model include the larger product variety available to consumers.
 5. The monopolistic competition model can explain why a country may both export and import some specific good.
 6. The monopolistic competition model predicts that introduction of free trade causes bankruptcies which tend to increase the average costs of surviving firms.
 7. Production subsidies are strictly forbidden under WTO rules.
 8. Economic theory predicts that common resources such as fish in the ocean may be over-harvested if there is no regulation.
 9. A large country may benefit from import tariff under perfect competition because the tariff affects the terms of trade.
 10. Economic theory predicts that common resources such as fish in the ocean may be over-harvested if there is no regulation.
 11. Euro appreciates against dollar when euro-dollar exchange rate $E_{\text{€}/\$}$ increases.
 12. Yen-nominated interest rate on Japanese bonds is 4% and dollar-denominated interest rate on U.S. bonds is 2%. According to uncovered interest parity the U.S. dollar is expected to appreciate against the Japanese yen.

2. Following figure depicts the Heckscher-Ohlin model where shoe production is labor-intensive relative to computer production.

- For each country, label the production possibilities frontier, indifference curve, the world price line and imports and exports of goods.
- Explain what the model predicts about the pattern of trade and the effect of trade on earnings of factors of production (i.e. wage and rental of capital).
- How would an increase in the amount of labor supply in the Home country (i.e. immigration) affect the production of each industry and the earnings of factors of production?



3. Following figure is related to the effects of an import tariff of a small country under perfect competition. Analyze graphically what are the effects of the tariff for consumer surplus, producer surplus, government revenue and the total welfare of the country.



4. Explain briefly what do following parities mean and how they help to explain the behavior of exchange rates:

- Purchasing power parity
- Covered interest parity
- Uncovered interest parity

