

(92%)

Parsons

International Economics Quiz 2 (July 16th, 2024)

Name: _____

You must answer all questions for full credit. You have until the end of the period to submit your exam.

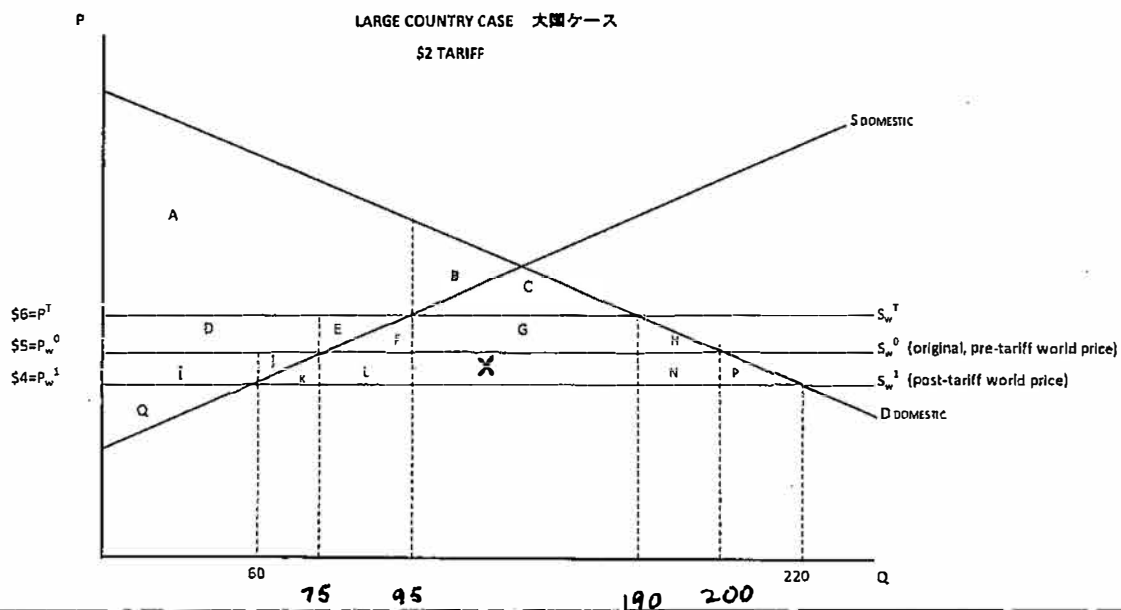
This is a closed book exam. Communication with other students is not permitted. Use of cell phones or other electronic devices is also not permitted. Violation of these rules will result in failure of the course also other possible penalties (including expulsion from the school.)

Please raise your hand if you have any further questions.

Write all your answers on the answer sheet.

Good luck!

Part I. Graphs



Problems 1) to 6) are based on the Figure above. (8 pts each)

1) What is the LOSS to the consumer with the tariff? (Describe the areas) D, E, F, G, H

2) What is the GAIN to the producer from the tariff? (Describe the areas) D, E

3) What area describes the tariff revenue from the tariff? $G+X$

4) What is the import quantity BEFORE the tariff (a number)? $200 - 75 = 125$

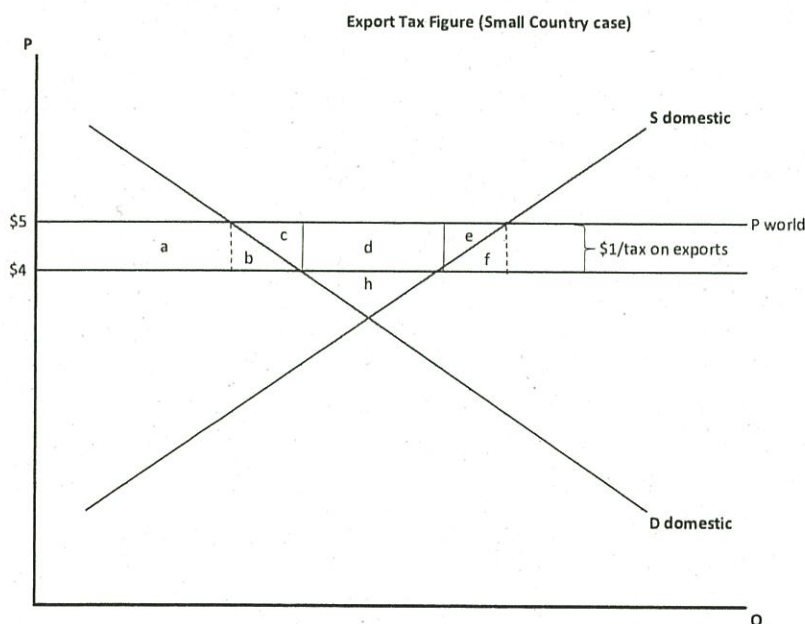
5) What is the import quantity AFTER the tariff (a number)? $100 - 95 = 95$

6) Do you think, overall, this tariff will be a **net gain** or **net loss** to the country? Explain.

$DWL = F + H$ but $X = \text{Terms of Trade} = X$

$DWL = 15$, $TD = \frac{85}{2}$

$TD > DWL$ so this tariff will be a net gain.



Problems 7) to 10) refer to the figure above, Export Tax, small country case (5 pts each)

7) What is the GAIN to the consumer after the Tax is imposed? (Describe the areas) a, b

8) What is the LOSS to the producer after the Tax? (Describe the areas) a, b, c, d, e

9) What area describes the GOVERNMENT REVENUE from the Tax? d

10) Do you think, overall, this tariff will be a **net gain** or **net loss** to the country? Explain.

DWL = -c - e so this tariff will be a net loss.

Part II. Comparative Advantage. Multiple choice. Pick the SINGLE, best answer. (6 pts each)

Trade in a One-Factor World

(Output) Kg per unit
of Labor:

	U.S.	France
Wheat	300	100
Beef	100	20

Referring to the Table above:

11) Which country has the Absolute Advantage in Wheat?

- a) US
- b) France
- c) Neither

12) Which country has the Absolute Advantage in Beef?

- a) US
- b) France
- c) Neither

13) Which country has the Comparative Advantage in Wheat?

- a) US
- b) France
- c) Neither

14) Which country has the Comparative Advantage in Beef?

- a) US
- b) France
- c) Neither

Part III.

15) Explain what "local content" rules are? Then, give two examples. (8 pts)

Local content rules ask foreign firms in a domestic country to produce products/goods with at least partial domestic materials; for example a product made in Mexico from a Japanese firm must have at least materials/components from Mexico.

Ex 1) Swiss-watches before being imported, have to fill the conditions of the Swiss laws and criteria -

Ex 2) Streaming channels such as Netflix, ^{in Europe} must give a part of their revenues to domestic productions of ...