

Sample Questions

This set of questions is for practice in preparation for final exam of EE451 only. They are not the duplicate of the exam papers. Students are encouraged to make attempts on all the sample questions.

1. What is the difference between an export tax and an export subsidy? Which instrument would domestic consumers be likely to prefer? Why?
2. If a tariff raises the real return to the scarce factor of production in a country, what happens to the relative return to the abundant factor? Explain.
3. Explain the terms 'trade creation' and 'trade diversion'. Show how they imply for the welfare changes.
4. "A tariff on a good will always produce a negative welfare effect on a country." Agree or disagree? Explain.
5. Explain how capital movement toward a small developing country affects its trade and welfare.
6. Could labour movement between countries ever have a protrade effect? If so, under what circumstances.
7. What is the difference between a protrade production effect and a protrade consumption effects? Identify the net effect on trade.
8. Outline possible factors that contribute to successes and/or failures of an economic integration
9. Rank the following policies from best to worst from the perspective of domestic consumers: (i) a tariff imposed on the imported good; (ii) a subsidy to the domestic production of the exported good; and (iii) an export tax.
10. Is it ever possible for a large country to gain from the imposition of an import tariff? Explain.
11. Other things being equal, why does greater elasticity in the supply of foreign exports of a good mean that the consumers in importing country are more likely to bear the burden of an import tariff than the foreign suppliers of the good are? Please analyse.
12. Suppose in a small country, that under free trade a final good F has a price of \$1,000, that the price of the only two inputs to good F, input A and input B are $PA = \$300$ and $PB = \$500$, and that one unit each of A and B is used in producing one unit of good F. Suppose also that an import tariff of 20 percent is placed on good F, while imported inputs A and B face the tariffs of 20 percent and 30 percent, respectively. Calculate the ERP for the domestic industry producing good F. Interpret the meaning of this calculated ERP.

Wish you all the BEST !!