

Review Topics for Midterm #2

The second midterm exam will be offered on Wednesday, October 31. The exam will have fifty multiple-choice questions worth 2 points each.

Since the first midterm, here are some/most of the topics we covered (no guarantee, as I am typing this from memory!!):

1. Non-tariff barriers to trade: subsidies, local content requirements, quotas, voluntary export restraints, anti-dumping laws. We investigated the impact of quotas on consumer surplus, producer surplus, and government revenues. We discussed how non-tariff barriers to trade reduce trade and redistribute rents from consumers to producers.
2. Economic freedom – how is economic freedom defined? How does economic freedom seem to correlate with various measures of the human condition, including income, life expectancy, infant mortality, corruption, and so forth. What various relationships have economists examined between economic freedom and other variables?
3. Developed country trade policy: strategic trade policy (Brander and Spencer model), trade sanctions.
4. Multilateral trade agreements: General Agreement on Tariffs and Trade, its history, purpose, and evolution. World Trade Organization, its history, purpose, and evolution. What are the main differences between the GATT and WTO? What are the benefits and potential costs of the GATT/WTO concept?
5. Developing country trade policy: export promotion policies vs. import substitution policies. Which have proven more successful? Why are import substitution policies likely to be more popular within a country? What is dualism and how is it created? Are there any policies that the governments of developing countries might undertake to reduce the likelihood of dual economies forming?
6. Regional trade agreements: what is an example of a regional trade agreement, what motivates countries to joint RTA's, what are the effects of RTA's on prices and quantities traded relative to free trade, restricted trade, autarky? Do RTA's seem to increase or decrease world welfare?