

INTERNATIONAL COMPREHENSIVE EXAM

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PART A - Answer two of the following:

- A1. "The introduction of imperfect competition into models of international trade has shown that countries might trade with one another for reasons other than those of comparative advantage."

Discuss with reference to some specific model that you have studied in your course in International Trade.

- A2. The winner of the 1999 Nobel Memorial Award in Economics was Robert Mundell. Select one of Mundell's contributions to international economics, and discuss

- (i) the nature of the contribution,
- (ii) its importance,
- (iii) any empirical implication it might have.

- A3. Discuss current testable presentations of the Hecksher-Ohlin Theory. (An example would be the paper by Harrigan in the Sept. 1997 issue of the AER.) Do such tests support Hecksher-Ohlin or not? Explain.

PART B - Answer two of the following:

- B1. It is said that reserves are the crucial problem for any exchange rate system. Explain what reserves are, what their function is, and what problems exist with them for the gold standard, dollar exchange standard, and floating exchange rates.

- B2. Mundell argues that fiscal and monetary policy have to be used in a particular way with fixed exchange rates. What is his conclusion and how does he arrive at it? (You cannot use this paper here and in Part A, #2.)

- B3. Define and explain:

- (a) 2 point arbitrage,
- (b) 3 point arbitrage,
- (c) purchasing power parity,
- (d) uncovered interest-rate parity.