

Practice Quiz 1

International Studies 421/803
Spring 2008

Mr. Easton

I. Answer the following questions True, False or Uncertain and briefly explain your answer. Each question is worth 6 points. (Note there are more questions than will be asked on the exam, so don't panic. Normally I would ask you to answer 5 and have one essay question.)

1. If lumber imports are 3% of GDP, a fall in lumber prices of 10 percent will cripple the economic recovery.
2. Free trade makes everyone better off.
3. If trade is 20% of GDP and tariffs raise prices by 10%, then everyone is better off.
4. According to comparative advantage, free trade will make you rich.
5. According to comparative advantage, rich countries can trade with rich countries but poor countries cannot trade with other poor countries.
6. Tariffs are an efficient way of subsidizing production.
7. Once WTO agreement is reached on a rule, that rule is international law.

II. Write an essay worth 20 points on:

1. What are the consequences of imposing a tariff? (hint: for domestic prices, incomes, economic efficiency, the distribution of economic benefit between consumers and producers, etc.)
2. The WTO is an organization that is both loved and reviled. Explain what it is and how it should be fixed if it is seen to be behaving inappropriately.