Examination Period 3: 2016/17

ECN300517N

Module Title: International Economics
Level: Six
Time Allowed: Two hours

Instructions to students:

- Enter your student number **not** your name on all answer books.
- Answer **three** out of **eight** questions.
- All questions are equally weighted.
- Students are **not** permitted to remove this examination paper from the examination room. For all purposes the examination paper remains the property of the University of Northampton.

<table>
<thead>
<tr>
<th>No. of Pages</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Questions</td>
<td>8</td>
</tr>
</tbody>
</table>
Answer three out of eight questions.

1. Analyse the 2007/08 US financial crisis use the national accounting identity formula: \((T - G) + S = I + CA\), where \(T\) stands for taxes, \(G\) stands for public expenditure, \(S\) stands for private savings, \(I\) stands for investment, and \(CA\) stands for the current account deficit/surplus.

2. Compare and contrast the classical and Heckscher-Ohlin (HO) theories of trade. Discuss the differences in assumptions and the effects of trade on the distribution of income.

3. Explain what intra-industry trade is and how it differs from inter-industry trade. Are the gains from trade similar?

4. Summarise the facts about trade at the firm-level. Analyse how Melitz’s (2003) model differs from previous trade theories and how it explains the facts about firm-level trade flows and the gains from trade. Who are the winners and losers generated by trade liberalisation?

5. List the types of quotas and analyse the welfare effects of a quota imposed by the government.

6. Explain the five main types of regional trade agreements and their primary characteristics. Include examples in your explanation.

---

Questions continue overleaf
7. Explain the options that a firm in one country can serve (sell its product to) a market in a foreign country. Analyse the advantages of each option and under which circumstances one option is superior to the other?

8. In the debate on fixed versus floating exchange rates, the strongest argument for a floating rate is that it frees macroeconomic policy from taking care of the exchange rate. This is also the weakest argument. Explain.