

STUDY SHEET

The exam will have two parts each with two questions. You will be asked to answer one question from Part I and one from Part II.

Part I will have two analytical questions that will be shortened, simplified versions of questions from the three problem sets.

Part II will be made up of two of the following six questions. After each question I list some of the sources that you could consult in thinking about an answer. Feel free to use others.

1. Since the time of David Ricardo in the early nineteenth century the consensus among “mainstream” economists is that free trade benefits an economy overall, although there could be some groups that would suffer. Briefly explain the theory behind this point of view and use it to analyze the impact of the North American Free Trade Agreement. Discuss the strengths and weaknesses of this type of analysis. (Salvatore, Chapters 3-5, Appleyard and Field, Chapters 3-11, or Krugman and Obstfeld, Chapters 2-9; class notes; problem set answers.)
2. The political debate that preceded the ratification of the North American Free Trade Agreement in the U.S. Congress was one of the most intensive debates related to economics in the United States in recent years. What interest groups were lined up on opposing sides? Can you explain the motivations of, and arguments made by, any of these groups using economic theory? (Wiarda article; article from Hufbauer and Schott; Kehoe newspaper article; newspaper, newsmagazine, and internet articles.)
3. In late 1994 and early 1995 the Mexican economy experienced a severe financial crisis. Explain what this crisis was and how it came about in terms of Mexican economics and politics from 1987 to 1995. (Kehoe and Kehoe, Chapter 7; Kehoe journal article; class notes; newspaper and news magazine articles.)

4. By far the most common approach to analyzing the impact of the North American Free Trade Agreement on the economies of its member countries has been the applied general equilibrium model. Briefly explain this approach and discuss its relative strengths and weaknesses. (Kehoe and Kehoe, Chapters 1 and 2; article from Hufbauer and Schott.)
5. After World War II, most of the countries in Latin American chose to follow an import-substitution development strategy. Following the debt crisis of the early 1980s, most of these countries have turned to more market oriented policies (often termed “neoliberal”). Explain what each set of policies were and discuss the reasons behind the shift in policies. After a brief general discussion, you may want to focus on the experience of a single country or a small group of countries. (Kehoe journal article; Thorp, Chapters 5, 6 and 7.)
6. Currently, Argentina is experiencing an economic crisis touched off by the failure the Convertibility Plan. Explain what this crisis was and how it came about in terms of Argentinian economics and politics from 1989 to present. (Class notes and handouts; Kehoe-Rolnick newspaper article; newspaper and newsmagazine articles.)