

STUDY SHEET

The exam will have two parts, the first with two questions and the second with three. 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 four problem sets. You will choose which of the two questions that you want to answer.

Part II will be made up of three of the following five questions. You will choose which of the three questions that you want to answer. 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. (Appleyard and Field, Chapters 3-10; Krugman and Obstfeld, Chapters 2-9; Markusen, Melvin, Kaempfer, and Maskus, Chapters 7-11; or Salvatore, Chapters 3-6, class notes; problem set answers. You only need to look at one of the trade text books. Concentrate on the material related to the Heckscher-Ohlin model, sometimes referred to as the neoclassical model of trade.)

2. 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; “A Review of Mexico's Trade Policy for 1982 to 1994,” class notes, Teichman, Chapter 6; newspaper and news magazine articles.)

3. 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; “An Evaluation of the Performance of Applied General Equilibrium Models of the Impact of NAFTA;” problem set answers.)

4. 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. (“A Review of Mexico's Trade Policy for 1982 to 1994;” Kuczynski and Williamson, Overview and Chapter 1-3; Teichman, Chapter 1-3.)

5. 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. (“What Can We Learn from the Current Crisis in Argentina?” Teichman, Chapter 5; class notes; Kehoe-Rolnick newspaper article; newspaper and news magazine articles.)