

## REVIEW QUESTIONS:

Fortgeschrittene Handelspolitik -- Advanced Trade and Trade Policy

NAME: \_\_\_\_\_ STUDENT NUMBER: \_\_\_\_\_

The Exam is worth a total of 100 points. ANSWER ALL QUESTIONS.

## (1) MIGRATION:

- a. What factors determine migration?
- b. What is the impact of migration on the source country?
- c. What is the impact of migration on the host country?

## (2) FDI

- a. What theories explain FDI
- b. What is the impact of FDI on the source country?
- c. What is the impact of FDI on the host country?

## (3) HECKSCHER-OHLIN MODEL

- a. Explain the Lerner-Pierce diagram
- b. Using this diagram, explain the Rybczynski and Stolper-Samuelson theorems
- c. Explain what is needed in this model for migration to cause wages to fall in the host country.
- d. Explain how technical change affects wages in this model.

## (4) GRAVITY MODEL

- a. Explain what the gravity model is
- b. Explain the empirical relevance of the gravity model. What do we use it for?
- c.

## (5) TRADE POLICY

- a. Explain the optimal tariff
- b. Explain what the non-cooperative (i.e. Nash equilibrium) setting of tariffs between two large countries means for trade flows.
- c. Based on (b), explain the benefits of cooperative tariff reductions between two large countries.
- d. Explain how the media voter and lobbying models explain observed tariff rates.
- e. Explain the impact import protection have on income distribution.