TA 1 — Introductory session & Ricardo's model

Questions	Answers
1. Why might France trade more with Belgium than with Kazakhstan?	❒ They share a language. ❒ They share a land border. ❒ Gravity: distance reduces trade, so nearby countries trade more. ❒ They belong to the same customs union. ❒ None of the above.
2. If country F exports to country C, do the data show that F's imports from C exactly match C's exports to F?	❒ No: some countries misreport their imports and exports. ❒ No: a country's official import statistics do not record the value imported. ❒ No: a country's official export statistics do not record the value exported. ❒ Yes, they match exactly. ❒ None of the above.
3. Trade in final goods makes up most of measured trade flows today. True or false?	❒ True, because technological progress has made trade easier. ❒ True, because innovation has increased the number of varieties available worldwide. ❒ True, because countries specializing more has increased trade flows. ❒ False. ❒ None of the above.
4. How can transportation costs be measured?	❒ By measuring tariffs (see the WITS dataset, or Feodora Teti's website). ❒ By comparing the import prices and the export prices reported in the two countries' statistics. ❒ By measuring exchange rates. ❒ They can only be built into a model. ❒ None of the above.

Questions	Answers
5. The rise of global value chains implies:	❒ Countries' GDP-to-exports ratio has increased. ❒ Countries' exports-to-GDP ratio has decreased. ❒ Nothing, because re-exported imports are not counted in GDP. ❒ None of the above.
6. In the Ricardian model seen in class (France and China, two goods), if France has an absolute advantage in producing both goods:	❒ It should hire Chinese workers to produce. ❒ It should put half of its citizens into each industry, to maximize consumption. ❒ It should specialize in the good in which its absolute advantage is largest. ❒ None of the above.
7. In the Ricardian model (France and China, two goods), the autarky equilibrium on an $(X;Y)$ graph is:	❒ The point furthest to the north-east, because utility rises in that direction. ❒ The intersection of the PPF with the y-axis, because France has a comparative advantage in producing that good. ❒ The intersection of the PPF with the y-axis, because France has an absolute advantage in producing that good. ❒ None of the above.
8. In the Ricardian model, the MRT is constant because:	❒ Labor cannot move across sectors. ❒ The opportunity cost of X is constant. ❒ The productivity of X, measured as $1/a_X$, is constant. ❒ The productivities a_X and a_Y are both constant. ❒ None of the above.
9. In the $(X;Y)$ plane, the Ricardian PPF:	❒ Shows a country's comparative advantage through its slope. ❒ Shows a country's absolute advantage through its slope. ❒ Shows a country's comparative advantage through its distance from the origin. ❒ None of the above.

Questions	Answers
10. Full specialization occurs if and only if:	❒ Both countries have an absolute advantage. ❒ China's relative comparative advantage is lower than France's. ❒ The world relative price lies strictly between the two countries' autarky relative prices. ❒ None of the above.
11. If country C's terms of trade appreciate:	❒ The price of C's imports increases. ❒ The price of C's exports increases. ❒ The relative price of C's exports to its imports increases. ❒ The relative price of C's imports to its exports increases.
12. The empirical measure is $RCA_{i,k} = \frac{\text{share of sector } k \text{ in country } i\text{'s exports}}{\text{share of sector } k \text{ in world exports}}$. Which statement is correct?	❒ If $RCA_{i,k} > 0$, country i has a comparative advantage in k. ❒ If $RCA_{i,k} < 0$, country i has a comparative advantage in k. ❒ If $RCA_{i,k} > 1$, country i has a comparative advantage in k. ❒ If $RCA_{i,k} < 1$, country i has a comparative advantage in k.