Examples of questions for Exam I

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Open questions

1. Consider the Melitz (2003) model. Comment on the role of each of the three fixed costs (fixed cost of entry, fixed cost of production and fixed cost of exporting) and explain qualitatively how removing each of the three costs affects the predictions of the model regarding the effects of opening to trade.

2. BJRS (2007) state that exporters are different in several dimensions with respect to non-exporters. Comment at least 3 dimensions in which exporters differ. Is the Melitz (2003) able to capture those empirical facts?

3. Consider the Melitz (2003) model. Comment on the predictions of the model in terms of welfare when an economy opens up to trade. Are there welfare gains or losses? What are the sources of the welfare changes between autarky and the open economy?

4. State the difference between ex-post and ex-ante evaluations of changes on welfare. What is the role of the counterfactual information in this distinction?

True/false questions

State whether the claim is true/false/uncertain and briey explain why (two or max three CLEAR sentences are enough):

1. Since the II World War, trade, measured as exports plus imports to GDP ratio, has constantly increased.

2. In the Melitz (2003) model going from Autarky to Trade causes all firms that survive to increase their profits.

3. International trade could affect the distribution of the firms' markups, and the Melitz (2003) model is able to capture changes in the markups distribution.

4. The good fit in the data of the gravity equation is explained mainly by the exports per firm.

5. Firms in the Melitz (2003) model operate in the region where the demand is inelastic.

6. Exporters are common, so in any random sample of firms exporters will be always present.

7. Iceberg trade costs reflect transportation costs, ans because those costs only impact exporters, they can generate selection of exporters in the model.