

1. State the Heckscher-Ohlin theorem, and outline the proof.
2. Use the Heckscher-Ohlin model or the specific-factors model to illustrate the following point: there are aggregate gains from trade but they can be unevenly distributed (I expect a technically rigorous argument).
3. State the Stolper-Samuelson theorem and outline the proof. What are its implications for the types of factors that gain and the types of factors that lose following trade liberalization?
4. State the Rybczynski theorem and outline the proof. What are its implications for understanding the “East Asian miracle”?
5. Suppose that a small country faces fixed world prices that happen to be equal to its (undistorted) domestic autarky prices. Show the effect of a production subsidy to the X sector on production, welfare, and exports (include a diagram and a careful verbal explanation).
6. State the theorem of the second best and then provide an illustration about how an offsetting distortion can be introduced to improve welfare in the presence of an existing distortion.
7. Illustrate and explain how a tax on one factor of production in one industry generates a “double distortion”.
8. You are having a discussion with someone in a coffee shop

Someone proposes that to cut smoking we should tax the production of cigarettes. What is your response? (I am not asking for your view about cutting smoking, take that as given, I am asking about the way to accomplish that.)

9. Suppose that a small country faces fixed world prices that happen to be equal to its (undistorted) domestic autarky prices. Show the effect of a consumption subsidy to the X sector on production, welfare, and exports (include a diagram and a careful verbal explanation).
10. Suppose that there are two identical economies each with a monopoly producer of X. Show and explain how the opening of trade leads to gains from trade. Use the prisoner's dilemma framework used in class, or derive the Cournot markup formula presented in class and in the book.
11. Define and explain the "firm exit affect" as part of pro-competitive gains from trade.
12. Trade can provide benefits through increased product diversity. (A) Outline both the "love of variety" and the "ideal variety" approaches to this issue. (B) In what sense are scale economies responsible for gains from trade?
13. Show how difference in per capita income can be a basis for trade. Then explain how this relates to the Linder hypothesis.