

Course: International Trade and Policy

Week 16: Synthesis and Final Review: From Trade Models to Real-World Policy & The Future of the Global Trading System

Instructions: Please select the best answer for each of the following ten questions. Each question has only one correct answer.

Question 1

According to the course review, what is the key question driving the entire course?

- A) How can countries eliminate all trade deficits?
- B) If trade models show net gains, why is there so much policy conflict?
- C) Which country has the highest GDP in the world?
- D) How can tariffs be raised without retaliation?

Question 2

The Stolper-Samuelson Theorem, derived from the Heckscher-Ohlin model, predicts that trade benefits:

- A) Owners of scarce factors and hurts owners of abundant factors
- B) Owners of abundant factors and hurts owners of scarce factors
- C) All factors of production equally
- D) Only capital owners regardless of abundance

Question 3

What does the Specific Factors Model emphasize that the Heckscher-Ohlin model does not?

- A) Trade patterns are determined solely by technology
- B) Factors are sector-specific in the short run, so trade shocks create winners and losers by industry
- C) All factors are perfectly mobile across sectors
- D) There are no distributional effects from trade

Question 4

According to the New Trade Theory (Krugman), what is a policy implication of economies of scale and first-mover advantage?

- A) Free trade is always optimal for all countries
- B) Strategic trade policy (subsidies) can capture rents for domestic firms

- C) Tariffs should never be used under any circumstances
- D) Only small countries benefit from trade

Question 5

What is the current crisis facing the WTO Dispute Settlement Understanding (DSU)?

- A) No disputes have ever been filed
- B) The US has blocked Appellate Body appointments since 2019, leaving it non-functional
- C) All WTO members have agreed to eliminate dispute settlement
- D) The DSU only applies to developing countries

Question 6

According to the slides, what was the estimated welfare loss for the US and China from their 2018–2020 tariff war?

- A) US: -0.5% GDP; China: -0.8% GDP
- B) US: -5% GDP; China: -10% GDP
- C) No measurable loss for either country
- D) Both countries gained 2% GDP

Question 7

What are the four mega-trends reshaping global trade according to the final review?

- A) Tariffs, quotas, subsidies, and dumping
- B) Geopolitical fragmentation, climate imperatives, technological change, and rise of state capitalism
- C) Currency devaluation, inflation, recession, and unemployment
- D) Labor standards, environmental rules, human rights, and democracy

Question 8

What does the gravity model of trade predict?

- A) Trade is unrelated to country size or distance
- B) Trade is proportional to the product of GDPs and inversely proportional to distance
- C) Trade flows are determined only by comparative advantage
- D) Only landlocked countries benefit from trade

Question 9

According to the policy analyst framework presented, what is the first step in

using trade models to analyze a policy problem?

- A) Immediately recommend protectionism
- B) Identify the relevant model (Ricardo for efficiency, H-O for distribution, Gravity for flows)
- C) Ignore all empirical evidence
- D) Assume all factors are perfectly mobile

Question 10

What is the core takeaway of the entire course as stated in the final review?

- A) Trade models give simple answers: free trade is always good, protectionism is always bad
- B) Trade models give structured ways to trace consequences (efficiency, distribution, stability, legality) – good policy integrates all four
- C) Trade models are useless for real-world policy
- D) Only the Ricardian model should ever be used

Answer Key

- 1. B
- 2. B
- 3. B
- 4. B
- 5. B
- 6. A
- 7. B
- 8. B
- 9. B
- 10. B