Problem Set 4
(Due Tuesday, April 25th in class)

PLEASE WRITE YOUR NAME, SID, AND SECTION NUMBER ON EACH PAGE.

Question 1 Please explain the following terms and concepts briefly
   a) Comparative advantage
   b) Heckscher Ohlin Theorem
   c) Stolper Samulson Theorem
   d) Adjusted Net National Product (ANNP)

[The following two questions are based on lecture slides and section discussions, but some of them also include your personal opinions such that they may not have a single “right” answer. However, you can lose points for failing to support your contentions adequately. Please be concise (no more than 1.5 page per question) and type or write legible.]

Question 2 “The debate [over globalization] is untidy and ill-defined, and one could react by saying that it has no place in a professional setting like this one [economics]. But we cannot afford to ignore it, for the views and attitudes expressed in it will inevitably affect public policy – and the issues are critically important for the future economic growth and well-being of all the people of the globe.” S. Fischer (2003, p.2)

I. Briefly explain the first sentence of this quote. E.g. why is globalization or trade good from an economic standpoint (be sure to mention concepts such as efficiency, specialization, and gains from trade).
II. Do these ideas take distributional justice into account? Give an example of groups that potentially lose from trade.
III. Summarize social and environmental arguments of opponents of globalization (use the concepts of comparative advantage [if environmental quality and human health are viewed as production inputs] and externalities).
IV. How can some of these concerns be addressed through policies (open ended question, be creative)?

Question 3 Environmental Kuznets Curve (EKC)

I. Briefly define the concept.
II. Is the EKC mainly a structural or reduced form model? Specify a typical regression equation and briefly explain it.
III. What are policy implications of an acceptance of the EKC?
IV. Utilize the effective versus applied input model we talked about earlier this semester to sketch a structural explanation of the EKC.