

**International Trade – Exam January 2016**  
**Université de Lausanne – Cours de Matthieu Crozet**

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**1. Currency union and Trade (30%)**

Read carefully the joint paper “The currency union effect on trade is decreasing over time”, by Jose De Sousa (Economics Letters, 2012).

- a. Expose briefly the aim and the main finding of this paper.
- b. Present the estimation strategy and discuss how it tackles (or not) the usual econometrics problems related to gravity equations.
- c. Expose briefly the endogeneity problem that potentially affects the results. How does the author treat this problem?
- d. Finally, what general conclusion for the estimation of gravity equations can we draw from the differences between the OLS and the PPML estimates?

**2. Answer in details to one of the 4 following question (50%)**

- a. Demonstrate the existence of the Home Market Effect in a simple trade model
- b. Is the Ricardian model theoretically and empirically relevant?
- c. Present briefly the model of heterogenous firms developed by Melitz (2003) and explain how it mimics the pro-competitive effects obtains in Krugman (1979).
- d. Demonstrate the Stolper Samuelson effect and discuss how it may (or not) explain the rise wage inequalities in developed countries observed since the 1980's.

**3. Answer to one of the following question about the presentations in class. It is forbidden to choose a question on the article you had to present. The answer must be short (20%)**

- a. What are the aim and the main results of “Prices, Markus and Trade reforms”, by De Loeker et al.?
- b. What are the aim and the main results of “How wages and employment adjust to trade liberalization: Quasi-experimental evidence from Austria”, by Brulhart et al.?
- c. What are the aim and the main results of “The long and short quality ladders”, by Khandelwal?