DEPARTMENT OF ECONOMICS
UNIVERSITY OF CALIFORNIA, BERKELEY
**Field Exam in International Economics**
August 12, 2013

Instructions: Answer all four questions. You have 3 hours.

**Question 1:** Empirical research has uncovered the following stylized facts:

1. Only a small percentage of manufacturing firms export anything.
2. Firms that export something export a small percentage of their production.
3. Exporting firms have larger domestic sales than non-exporting firms.
4. Exporting firms have higher productivity (measured as value added over employment) than non-exporters.

Discuss how the Melitz model and the BEJK model each explains these four stylized facts.

**Question 2:** What are the key theoretical building blocks of Grossman and Helpman's "Protection for Sale" model of tariffs? List the main determinants of tariffs at the industry level according to this theory. Why are tariffs higher in some industries than others, and in some countries than others? Discuss the limitations of this theory to explain the tariffs that we actually observe in the data.

**Question 3:** Discuss the important elements in the choice between a fixed and a more flexible exchange rate regime, being sure to include any considerations relating to pricing practices in international trade. What about "dollarization"? Comment especially on how the fixed/flexible choice would be viewed by policymakers in a developing country.

**Question 4:** Discuss empirical and theoretical connections between bank instability, currency crises, and sovereign debt crisis. Illustrate your discussion with some real-world episodes, including the recent euro crisis. Your answer should include a description of at least one well-articulated model.