INFO ON MIDTERM

Date and Time

Monday, November 1, 3:00-4:40, Steinmetz 106.

Coverage

The midterm will cover all the required papers in the readings lists including the material covered on October 27. The recommended papers will be included only to the extent that we covered in class. In addition, everything we covered in class, the material in the handouts and the material in the homework sets will be included in the midterm.

In the midterm there may be questions on concepts/models/issues that are included in the articles but not extensively covered in class. The purpose is to give you some incentive to read the articles thoroughly and take the learning experience beyond the class hours.

Structure of the exam

The exam will be open notes, which may include hand written and computer written notes by you. You are not allowed to copy and paste text from articles and use it as your own notes. I will ask you to sign a statement that confirms this. The exam will take the full class time, 100 minutes. I will be happy to add 10 more minutes if need be. The exam will consist of essay type, analytical, and empirical questions. In the exam you will have the option of choosing from a set of questions.

How to study?

The best way to study for the exam is to summarize the papers in an outline fashion by pointing out the key issues, key concepts, key methods, key findings and etc. In your outline, be sure to uncover the linkages between papers/models as well. In doing so, highlight their differentiating as well as similar features and discuss the results/implications. A good example of such an outline can be the handout sheet that I distributed on trade and wages at the beginning of the term. You go can with more detail or less detail depending on your preferences. In any case, be sure to create bookmarks in your head. In the exam, you will find this well constructed outlines quite helpful.

For each issue it is a good idea to be clear on the following items: the stylized trends and facts, the theoretical models used to investigate the issue, the findings from empirical studies, interpretation of empirical results and their policy implications.

For practice, I suggest that you go over the discussion questions/homework sets distributed in class. I also encourage you to study your lecture notes and combine the pieces in light of the class discussions. Please do pay attention to the interpretation of empirical findings.

Frequently asked questions

Any sample questions?

Yes, here is one. Total 10 points

a. (2) Define the concept of comparative advantage as implied by the Heckscher-Ohlin model. Define the concept of wage elasticity of labor demand as discussed by Rodrik (1997)

b. (2) If trade between two countries increases, what are the implications for labor markets under the standard comparative advantage model? Clearly describe the mechanisms.
c. (2) If global economic integration increases, what are the implications for labor markets under the 
elasticity channels suggested by Rodrik? Clearly describe the mechanisms.

d. (4) Compare and contrast your answers in parts c and d. What are the differences, what are the 
similarities? Discuss the empirical relevance and policy implications.

Any more sample questions?

I decided not to provide further questions for the following reasons:

First, one of the objectives of the course is encourage you to pose your own questions and to seek 
answers. This can be done through class discussions and reading relevant articles. You can also 
direct your questions to me. To encourage you in this direction, I will refrain from providing a 
large set of sample questions. Of course, the discussion questions distributed in class will help you 
warm up for the exam, but the exam questions will be broader than these.

Second, in your senior thesis studies this is exactly what you will do. Pose a question, read many 
articles and create a coherent picture of the relevant literature. Hence, this will be a good warm up 
for the thesis.

Third, in the real word, when working for a long-term project (be it in a financial company, in a think 
tank in Washington, in your graduate studies, in your community or in your family), you will neither 
be presented with an outline that presents the key concepts nor a set of sample questions to help 
you warm up. Instead, you will be asked to identify the important issues, gather the facts, 
understand the existing approaches and execute your analysis. Hence, this seminar course, as it 
differs from the two-digit and standard three-digit courses, will be a good warm up for the real 
world.

Some articles are very technical. To what extent do we have to know these papers?

I think you can easily make the call on this account. For instance, in Blanchard and Wolfers (2000), 
the facts about shocks and institutions are clearly laid out in the first 15 pages. In the main text 
there is also a good discussion on how the interactions between shocks and institutions can 
generate unemployment pp 15-18. But the regression analysis beginning with p. 19 involves a non-
linear estimation technique, which is something not covered in Eco 43. So, in our class discussion, 
instead of this technique, we considered a linear specification and introduced the interaction terms 
within this simpler specification. Thus, the details of the non-linear regression of Blanchard and 
Wolfers (2000) will not be on the test, because it is beyond the scope of your economics 
knowledge. However, their main approach and the main results as conveyed throughout the paper 
will be on the test.

Similarly, the derivations of equations in Sayek and Sener (2003) will not be on the test, because it 
will not be possible for you to grasp the technical details given your current background. However I 
expect that you have a clear understanding of how the model works and how the main results can 
be explained (at least in a schematic fashion). Once you are clear about the mechanics of the 
model, you can then predict the first order effects of, say, extending the model in a particular 
direction or provide clear arguments on how one can use the model to explain some empirical 
findings.

Would I be OK if I simply read the papers and highlight the relevant parts?

Yes, you will be OK, but it may not be the best strategy. A well-structured outline of all papers 
along the lines described above can be a more effective strategy. Aside from grade considerations, 
this approach can help you see the big picture and make your knowledge permanent. You can then 
easily impress friends and family with your command of economics.