Eco 354 Eshragh Motahar
INTERNATIONAL ECONOMICS Spring 2026

Mid-term Examination

Some Suggested Answers

1. The relevant equation is 2-2 on p. 13 of the textbook. Effectively, BRI causes *D* to go down. Thus, all else equal, the volume of trade goes up. A good current example of *A* is the US-Israel war on Iran! For an interpretation of *b* see your class notes

2. This is question 6 on p. 49 of the textbook. The answer is on Nexus.

3. We discussed this in detail on several occasions in class. It is fully covered in chapter 5. As the question explicitly asks, you **must** set up the model in terms of skilled *versus* unskilled labor as the two factors of production, as we did in class. See also Photo 1 below.

4. We thoroughly discussed this in class.

5. This is based on chapters 4 and 5. We extensively covered this in class. Aspects of it are fully covered in the textbook as well. In fact, I gave you several hints that this question would appear on the exam! See also Photo 2 below (which includes a proof of $NX = 0$).

6. **6A**. This is based on the Case Study on pp. 77-79 of the textbook. **6B**. This is based on questions 5 and 6, pp. 81-82 of the textbook, I just changed the numbers.

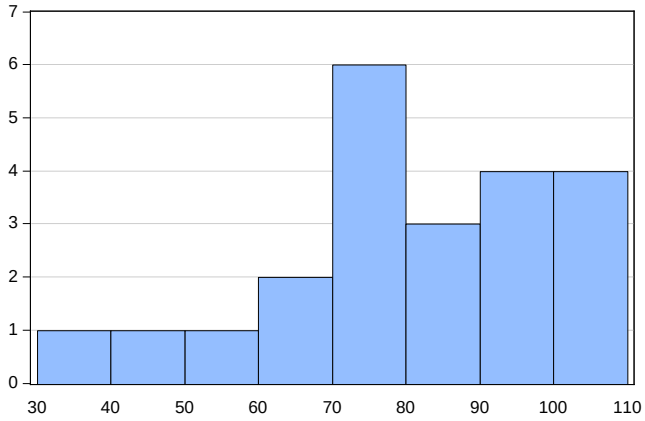
7. This is based on questions 4 and 6 of Homework Assignment 1. Plus, we did a version of this in class. To calculate gains from trade, simply ask yourself this question: Foreign has the choice of producing 1 apple. What is the opportunity cost? It has the alternative choice of trading bananas on the international market to get 1 apple. What is the cost? Then compare the two costs.

Bonus questions: B1 is covered in the textbook. We thoroughly covered B2 and B3 in class.

❦ ❦ ❦ ❦ ❦

Statistical Report

104	88	70
104	85	67
102	80	62
101	77	58
97	75	41
96	74	31
95	73	
94	71	



Series: MIDTERM
Sample 1 22
Observations 22

Mean	79.31818
Median	78.50000
Maximum	104.0000
Minimum	31.00000
Std. Dev.	19.90546
Skewness	-0.727572
Kurtosis	3.005282
Jarque-Bera	1.941017
Probability	0.378890

Photo 1

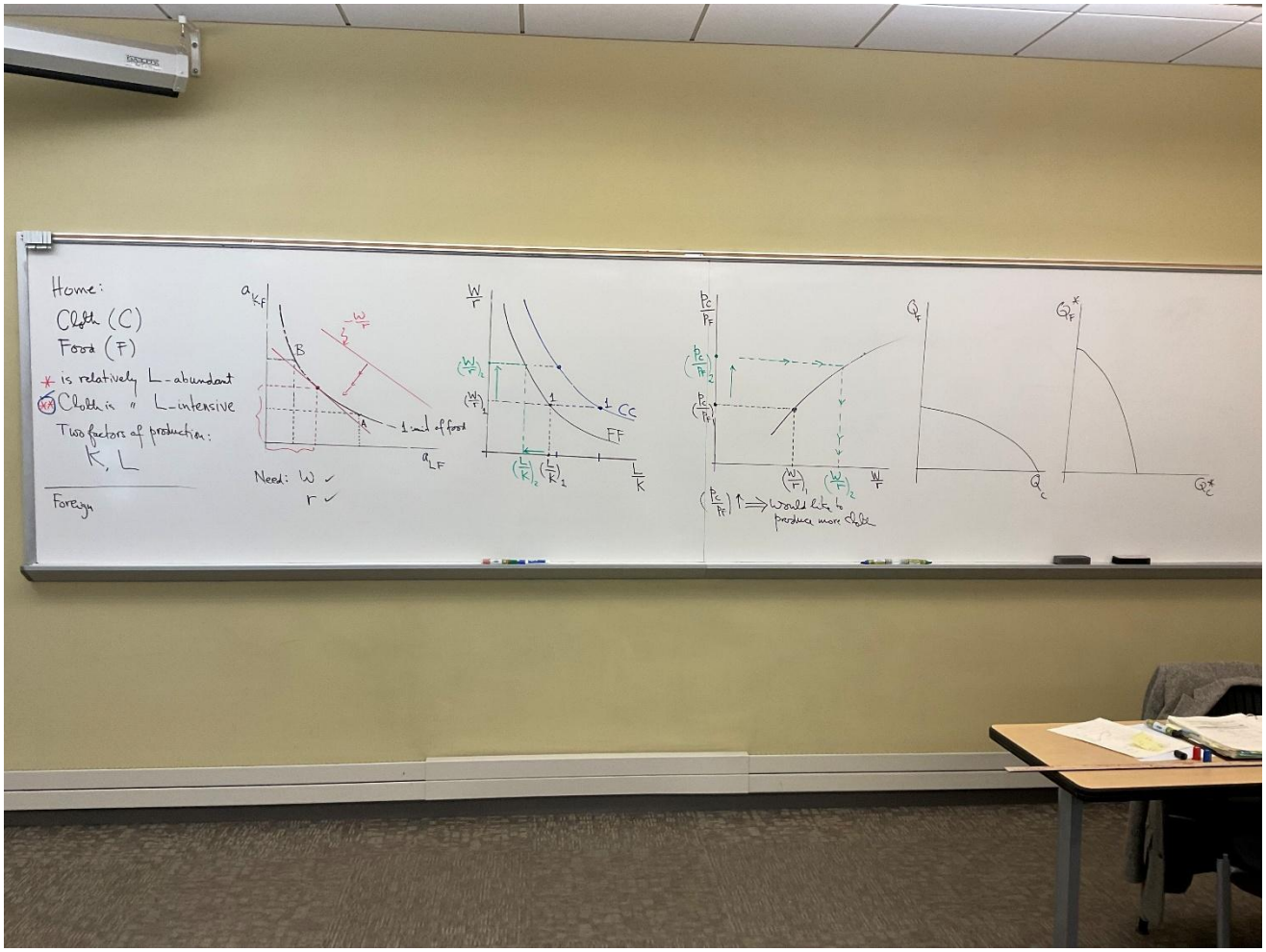
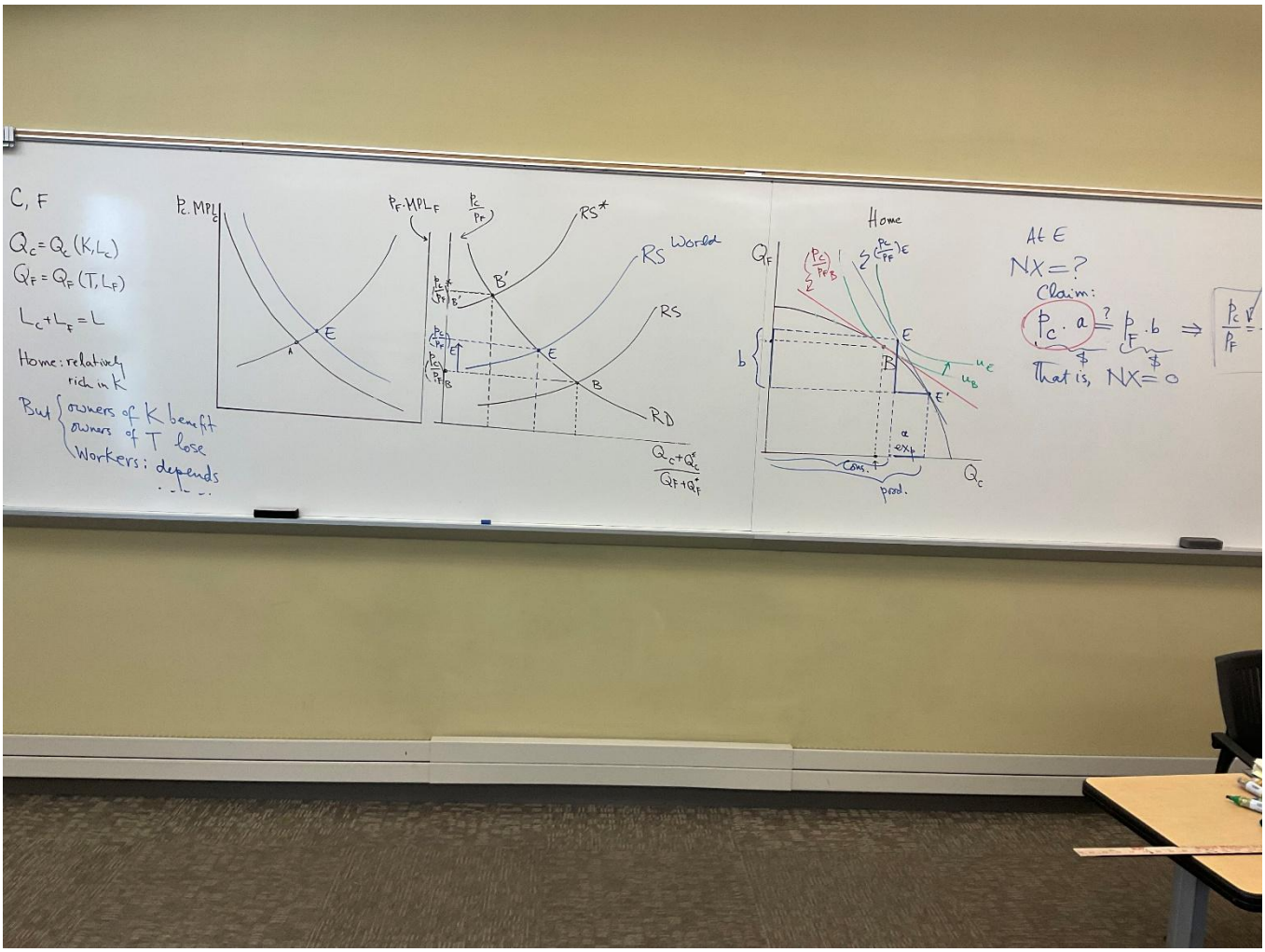

Home:
Cloth (C)
Food (F)
* is relatively L-abundant
Cloth is " L-intensive
Two factors of production:
K, L
Foreign
Need: w ✓
r ✓
1 unit of food
CC
FF
Would like to produce more cloth

Photo 2


C, F
$Q_C = Q_C(K, L_C)$
$Q_F = Q_F(T, L_F)$
$L_C + L_F = L$
Home: relatively rich in K
But { owners of K benefit
owners of T lose
Workers: depends
$P_C \cdot MPL_C$
$P_F \cdot MPL_F$
$\frac{P_C}{P_F}$
RS*
RS World
RS
RD
$\frac{Q_C + Q_C^*}{Q_F + Q_F^*}$
Home
Q_F
Q_C
b
a
exp.
cons.
prod.
At E
NX = ?
Claim:
$P_C \cdot a \overset{?}{=} P_F \cdot b \Rightarrow \frac{P_C}{P_F} = \frac{b}{a}$
That is, NX = 0