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 tariffs!

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. Moreover, you need to explain *why* the wages of unskilled workers at Home *decrease* after trade.

4. We thoroughly discussed this in class. In addition, it is discussed in the required papers for question 2 of the Homework Assignment 1; plus, in the referenced case studies.

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!

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.

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.

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Statistical Report

106	89	83
106	88	81
105	88	78
102	88	76
98	88	73
98	87	72
95	87	56
94	85	48
94	85	20

Series: MIDTERM
Sample 1 27
Observations 27

Mean	84.07407
Median	88.00000
Maximum	106.0000
Minimum	20.00000
Std. Dev.	18.71430
Skewness	-1.739854
Kurtosis	6.538460
Jarque-Bera	27.70770
Probability	0.000001