

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (10 points) Which part of the department's web page, <http://www.bethanywv.edu/economics/> do you think will be most helpful? Why? Is anything missing that you would like to see?
- 2) (50 points) Suppose that in Bangladesh, it takes 3 hours to make a dress and 2 hours to make a shirt. In Turkey, it takes 4 hours to make a dress and 1 hour to make a shirt. Assume both countries have 1000 hours of labor. Determine which country has a comparative advantage in each good. Draw the PPF/CPF diagram for each country as well as the supply curves for both goods. Explain how you derived each graph and how you determined the comparative advantage.
- 3) (20 points) Some people look at the *Law of Comparative Advantage* and says it may not determine trade patterns in the real world because it assumes no trade restrictions and the real world has trade restrictions. Do you feel this is a valid argument? Explain your logic.
- 4) (20 points) The real world has *bilateral trade*, i.e., a country both exporting and importing the same good. For example, the USA both imports and exports cars. The *Law of Comparative Advantage* would imply this should not happen. There are at least three reasons for this trade. Can you explain *bilateral trade*?