

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (5 points) Which part of my web page, <http://mysite.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see? What is the URL for the first exam from this class last semester?

2) (5 points) Which part of the Department of Economics and Business'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?

3) (45 points) Suppose that the USA uses 5 hours of labor to produce a pair of pants and 3 hours of labor to produce a t-shirt. In Macedonia, it takes 9 hours of labor to produce a pair of pants and 4 hours of labor to produce a t-shirt. Who has the absolute advantage in each good? Who has the comparative advantage in each good? Who will export which good? If both countries have 180 hours of labor, then draw the two countries' PPF's and put their CPF's on it. Prove that both countries gain from trade. Explain how you got the points and slopes of the curves.

4) (45 points) Suppose that the USA produces 5 pairs of pants per hour of labor and 3 t-shirts per hour of labor. In The Gambia, it makes 9 pairs of pants per hour and 4 t-shirts per hour. Who has the absolute advantage in each good? Who has the comparative advantage in each good? Who will export which good? If both countries have 10 hours of labor, then draw the two countries' PPF's and put their CPF's on it. Prove that both countries gain from trade. Explain how you got the points and slopes of the curves.