Write your name on the back of this page and nowhere else. Enclose this sheet with the graph paper you used. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 230 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I can give some extra time but not much.

1) (12 points) Give an example of EITHER a *resource oriented* industry OR a *market oriented industry*. Explain why that industry fits that description and how that determines where they locate.

2) (20 points) Answer ONE of the following parts.
A) In the Heckscher-Ohlin (H-O) Model, we assumed that both industries exhibit constant returns to scale (CRTS). What does that mean? Given an example of a conclusion which is changed when we relax that assumption. Explain how relaxing the assumption can change the result.
B) Suppose the world fits the Specific Factors Model with the home country being capital abundant. What happens to the real wage measured in terms of the exported good when we open up to trade? What happens to the real rental rate in the capital intensive industry measured in terms of the exported good when we open up to trade? Explain your logic for both parts.
C) Draw an appropriate graph to prove the Factor-Price Equalization Theorem. Explain why the graph takes its shape and how it proves the theorem.

3) (20points) Answer EITHER Part A OR Part B.
A) Draw the supply/demand diagram for a monopolistically competitive firm. Explain two ways to find the profit maximizing point and why those points maximize profits.
B) Draw the graph with back-to-back supply/demand graphs. Find the prices in the two countries when there are transportation costs. Explain how you found the two prices and the transportation costs.

4) (20 points) Answer EITHER Part A OR Part B.
A) State and prove the Heckscher-Ohlin Theoreom.
B) State the Leontief Paradox and give the explanation you think best explains it.

5) (28 points) Answer EITHER Part A OR Part B.
A) Draw the PPF/indifference curve diagram for a small country which exports cars (capital intensive good). State how you know that they are exporting the car. Draw an increase in labor. Explain how why the curve(s) moved as drawn. According to your graph is the growth trade neutral, antitrade, or protrade? Explain how you reached that conclusion. Does the Rybczynski Theorem apply here? Why or why not? Explain how your graph relates to the Rybczynski Theorem.
B) Draw the PPF/indifference curve diagram for a small country which exports clothing (labor intensive good). State how you know that they are exporting clothing. Draw an improvement in clothing technology. Explain how why the curve(s) moved as drawn. According to your graph is the growth trade neutral, antitrade, or protrade? Explain how you reached that conclusion. Draw the offer curve diagram which corresponds to your other diagram. Briefly explain why it moves as drawn.