Wilf Csaplar Jr. Economics 360 Homework #1 **Due Monday 2/3**

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) (10 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 during the last semester it was taught?

2) (10 points) Which part of the Department of Economics and Business's web page, http://www2.bethanywv.edu/econ/ do you think will be most helpful? Why? Is anything missing that you would like to see? If you were a sophomore Business major, then what courses does the departmental web page suggest you be taking this semester?

3) Suppose the USA has 100 units of labor and China has 300 units of labor. In the USA, it takes 2 units of labor to produce 1 unit of food and 10 units of labor to produce 1 computer. In China, it takes 1 unit of labor to produce 1 unit of food and 3 units of labor to produce a computer. **For each part, show all mathematics and briefly explain how you reached your conclusion.**

A) (5 points) In autarky, what would be the relative price of a computer in each country?
B) (5 points) Which country has the absolute advantage in producing each good?
C) (5 points) Which country has the comparative advantage in producing each good?
D) (5 points) Which country would specialize in which good? What relative price would be acceptable to both countries for trading computers and food?
E) (20 points) Draw the PPF and CPF for the USA and on a separate graph, draw the PPF and CPF for China. Make sure that both graphs have the same volume of trade in both goods and that the diagram shows the relative price you mentioned in Part D.
F) (10 points) Draw the world supply and demand for food which illustrates what you already drew.
G) (10 points) Draw the world supply and demand for computer which illustrates what you already drew.
H) (10 points) How would your answers to Parts A through D change if the numbers changed from L/Q to Q/L? In other words, the second sentence would start, "In the USA, you get 2 units of food from each unit of labor ..."

4) (10 points) When we answered Question #3, we assumed that comparative advantage depended solely upon the amount of labor used. What else might determine comparative advantage? Explain your logic.