

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 10 points. If you use double-sided printing or write on the back of scrap paper, I will give you one additional point.

- 1) (40 points) State the Heckscher-Ohlin Theorem (H-O Theorem). Explain the economic reason why it makes sense. Use the PPF/indifference curve diagram to prove it. Explain how the graph proves it. (You can do it as two PPF diagrams or superimpose the two graphs on one graph.)
- 2) (15 points) Using the Factor-Price Equalization Theorem, if the USA had joined TPP, would workers or capital benefitted from it? Explain your logic.
- 3) (15 points) Using the Specific Factors Model, who would be helped and who will be hurt by us joining TPP? Explain your logic.
- 4) (30 points) What was the Leontief Paradox? We gave two explanations of it. What are they? Which do you feel is a stronger argument? Explain your logic.