

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type this assignment 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) If you read the article at, http://news.bbc.co.uk/2/hi/south_asia/3481855.stm then you will find that the fourth person to comment on the article says that there is a chance of immiserizing growth. Do you agree with them? Explain your logic.
- 2) (40 points) Draw a PPF/CPF/indifference curve diagram for lights and clothing for a small capital abundant country. Also draw the offer curve diagram for them. Illustrate the effects of an increase in the amount of labor on both diagrams. Explain why the curves moved as drawn. Make sure you explain why you chose to have it be anti-trade or pro-trade. State how your diagram shows the Rybczynski Theorem.
- 3) (35 points) Draw a PPF/CPF/indifference curve diagram for computers and raspberries for a large labor abundant country. Illustrate the effects of a growth in the labor supply. Explain why the curves moved as drawn. As drawn, is there immiserizing growth? Explain your logic.
- 4) (15 points) Suppose a technology increases the productivity of capital more than it increases the productivity of labor. Is that labor saving or capital saving? Explain your logic. What will happen to the wage/rental rate? Explain your logic.