

Slide your assignment under my office door by the time class is scheduled to end, i.e. 12:00.

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 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) According to the link below Italy imports \$10.7B of financial services and exports \$6.4B of financial services. Calculate how much of that is intra-industry trade.

<https://oec.world/en/profile/country/ita>

2) (15 points) Is intra-industry trade more likely to happen between similar countries like the USA and Canada, or dissimilar countries like USA and Mexico? Explain your logic.

3) (25 points) Draw the diagram of the P and ATC as functions of the number of firms in a monopolistically competitive industry. Explain why the P line and the ATC line are shaped as drawn. If the country opens to trade, what happens to the diagram? Illustrate that and explain why it occurs.

4) (10 points) I say the Figure 6.4, on Page 154, requires a third country not drawn. Point out two things on the graph which imply that and state how they imply that.

5) (20 points) Draw the partial equilibrium diagram for Argentina's export of beef to Brazil with transportation costs included. Show the quantity traded, and the prices in the two countries. Explain how your graph shows the transportation costs and that Argentina's exports equal Brazil's imports.

6) (20 points) Draw the PPF/CPF diagram for a capital abundant small country. Illustrate the effects of that country adding capital. Explain why the curve(s) moved as drawn. State how your graph shows the Rybczynski Theorem.

I found something strange online. Go to <https://tradingeconomics.com/argentina/exports>. About half way down, it talks about Argentina's exports. Doesn't that description imply that Italy and the Netherlands are not in the EU?