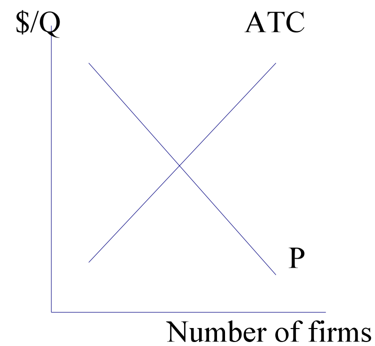
Wilfrid W. Csaplar Jr., Ph.D. Economics 360 Exam #2 2024/10/9

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 10-point question should take 5 minutes.

1) (12 points) Answer EITHER Part A OR Part B.
A) If the country whose graph is shown to the right, was to open up to trade, what direction would the ATC curve move? Explain your logic. You do NOT need to redraw it.
B) Suppose the USA has a 10% import tariff on cars, and a 30% import tariff on car parts. If car parts make up 50% of the car, what is the effective rate of protection (ERP) on cars? What does that number mean? Show all work.
C) According to the article link below, Argentina exports \$2.1 Billion worth of oil seeds and imports \$5.4 Billion worth of oil seeds. Calculate their intra-industry trade. Show all work.
https://www.agi.global/news/what-are-the-top-10-argentinian-imports-exports



2) (12 points) For EITHER the Rybczynski Theorem OR the Stopler-Samuelson Theorem, state the theorem and BRIEFLY explain why it makes sense.

3) (24 points) Answer EITHER Part A OR Part B.
A) Draw a PPF/CPF/Indifference curve diagram for a small <u>labor</u> abundant country. Illustrate the effects of an improvement in technology in the <u>capital</u> intensive industry. Explain why the curve(s) moved as drawn. Is this pro-trade or anti-trade? Explain your logic.
B) Draw a PPF/CPF/Indifference curve diagram for a small <u>capital</u> abundant country. Illustrate the effects of an improvement in technology in the <u>labor</u> intensive industry. Explain why the curve(s) moved as drawn. Is this pro-trade or anti-trade? Explain your logic.

4) (26 points) Answer EITHER Part A OR Part B.
A) Draw the S/D diagram for a small country which <u>imports</u> hats. Find the consumer surplus, producer surplus, deadweight loss, and tariff revenue for free trade and with an import tariff. Give a one-sentence explanation of how you found consumer surplus and producer surplus in general.
B) Draw the S/D diagram for a small country which exports corn. Find the consumer surplus, producer surplus, deadweight loss, and tariff revenue for free trade and with an export tariff. Give a one-sentence explanation of how you found consumer surplus and producer surplus in general.

5) (26 points) Answer EITHER Part A OR Part B.
A) Draw the PPF/CPF/Indifference curve diagram for a country. I do not care if it is labor abundant or capital abundant, but you should state which it is. Illustrate immiserizing growth. Explain why the curve(s) moved as drawn. Explain how shows immiserizing growth.
B) Draw a PPF/CPF/Indifference curve diagram for a small country. I do not care if it is labor abundant or capital abundant, but you should state which it is. Illustrate their putting an import tariff on the graph. Explain why the curve(s) moved as drawn and explain how you found the new consumption point.