1. What is the main advance of the Ricardian model? That is, what is its most significant contribution to economics?

2. Explain how wages are determined in autarky in the Ricardian model. How does opening trade affect wages? Explain.

3. You are given the following resource information:

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Labor</td>
<td>200</td>
<td>60</td>
</tr>
</tbody>
</table>

Further, the production requirements for a unit of steel are 2 machines and 8 workers, and the requirement for a unit of bread is 1 machine and 8 workers. Which country would export bread? Why?

4. Assume we have 2 countries, Alpha and Beta. Alpha trades labor-intensive hats for the capital intensive radios produced in Beta. According to the Stolper-Samuelson theorem, this opening of trade caused factor prices to change in both countries. Discuss the change in factor prices in Beta making sure to explain the rise or fall of each resource price. Use of a diagram is recommended.

5. Using a diagram, show the impact of a tariff on a small economy. Specifically indicate the impact on the domestic market price and the domestic consumption. Explain how it might be possible for a large economy to benefit from a tariff.

Suggestions for the test:

Definitions (in your own words is fine – probably better)
Diagrams – be able to draw any
Understand how each model fits into the overall picture (Ricardian improves on Mercantilists; H-O improves on Ricardian etc).

Literature – about half of the exam.
   What is the question?
   How do they answer it?
   What do they find?