

International Economic (2007/2008) – Prof. Fiorentini

Final test – June 19th, 2008

**Instructions: answer the following 4 questions. Graphs must be explained
Answers may be written in Italian**

1) Two countries, A and B, produce steel and cloth. Production requires just labour and the necessary working hours in production are:

	Country A	Country B
Steel	1	4
Cloth	3	3

Which country has an absolute advantage in steel production? What is the autarkic price of cloth in country B? Determine the pattern of specialization under free international trade.

2) Explain why an increase in a country's terms of trade improve national welfare.

3) What are the effects of an increase in the endowment of land on a country's production possibility frontier?

4) Discuss the differences between intra-industry and inter-industry trade and outline the main factors that may generate intra-industry trade.