

International Economic (2007/2008) – Prof. Fiorentini

Final test – June 5th, 2008

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

1) Consider a world economy in which two countries, A and B, produce wheat, sugar and car. Production functions requires just labour and the necessary working hours in production are:

	Country A	Country B
Wheat	3	2
Sugar	2	3
Cars	1	4

Wage in country A is $W=2$ while wage in country B is $W^*=1$. What are the goods exported by each country under free trade?

2) What are the effects on a country's terms of trade of import-biased economic growth?

3) Explain why according to the Heckscher-Ohlin theory free international trade equalizes the wage/rent ratio in all countries.

4) May external economies of scale affect international trade? What are the consequences of external economies of scale for a less developed country willing to enter a market dominated by a more advanced country?