

Econ 140
Some Practice Questions ~~from Chapter 3~~

Agree or disagree with the following statements and briefly explain why.

1. "According to the general equilibrium analysis in Chapter 3, the opening of international trade allows a country to shift out its production possibility curve."
2. "In equilibrium the MRS will always equal the MRT so it doesn't make any difference whether we have trade or not."
3. "A country will gain most from trade if its domestic price ratios before trade are the same as in the rest of the world."
4. "A country is more likely to specialize completely in the production of a particular commodity if its industries face constant costs."
5. "The less a country needs to reallocate its production after the opening of trade, the greater its gains will be."
6. "The cost benefit ratio for opening up trade will be more favorable in the short run than in the long run."