

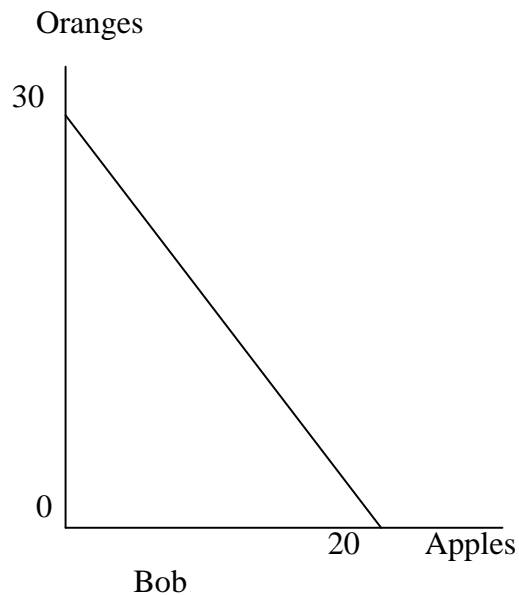
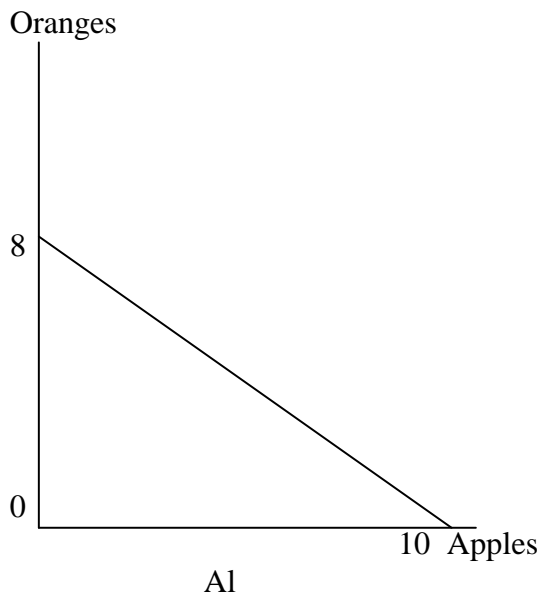
**Economics 548 International Economic Relations**  
**Summer 2007**  
**Homework 1**

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Due date: Wed., June 20, 2007

General instructions: For problem 1, simply answering the questions is sufficient. The rest of the problems involve writing short essays. A paragraph (maybe two) will suffice for all of them.



1. Answer the following questions referring to the graphs above.
  - (a) Al's opportunity cost of one orange is \_\_\_\_\_ apples.
  - (b) Bob's opportunity cost of one orange is \_\_\_\_\_ apples.
  - (c) Who has the comparative advantage in producing oranges?
  - (d) Suppose Al and Bob specialize and trade. Who will produce oranges?
  - (e) What is the best (highest) price he (referring to your answer in part d) can ask for his oranges?

2. Briefly summarize why a curved production possibility frontier implies increasing opportunity costs and explain by use of an example (other than one used in class—come up with your own!) why this is a realistic model.
3. Consider chapter 3 in the King reader (Hufbauer and Goodrich). Why does the increase in productivity of minimills cause the traditional steel mills to gain less from protection?
4. Why is protection so hard to get rid of once it is in place? Give an example from the readings.
5. Consider the Pete Du Pont article handed out in class (also on the web page).
  - (a) Can you infer his political stance (liberal or conservative) from the tone of the article? If so, what is it? Now consider chapter 2 in the King reader (“Toughest on the Poor”). Can you infer his political stance?
  - (b) What are the differences between DuPont’s and Gresser’s objections to protection?
  - (c) Would you agree that political affiliation is not a major factor in deciding one’s overall view toward protection but may affect attitudes in specific cases? If possible, give an example.
6. Du Pont quotes U.S. Sugar’s Senior Vice President Robert Coker as saying, “bilateral and regional trade agreements are death by a thousand cuts”. What does he mean? Is he talking about trade creation or trade diversion? (Consider his perspective.)