

Quiz 2 — Ricardo & HOS models

Questions	Answers
1. In Ricardo's model, the wage is pinned down by:	☐ The comparative advantage of its sector. ☐ The comparative advantage of its economy. ☐ The efficiency of its sector in its economy. ☐ The world price.
2. In Ricardo, the equality between the MRT and the price ratio comes from:	☐ The assumption on the technology / the productivity of labor. ☐ The assumption on utility. ☐ The assumption of imperfect competition. ☐ The constant returns to scale of the production function.
3. In Ricardo's model, utility helps:	☐ Determine the world price at the trade equilibrium. ☐ Determine the relative price under autarky. ☐ Solve for wages under autarky.
4. A Cobb–Douglas production function assumes:	☐ Decreasing returns to scale. ☐ Constant returns to scale. ☐ Decreasing marginal productivity for each input. ☐ Increasing marginal productivity for each input.
5. Why do we not draw isoquants in Ricardo's model?	☐ Because the absolute advantage of France directly helps draw its gains from trade. ☐ Because the comparative advantage of China directly helps draw its losses from trade. ☐ Because the production function is not concave. ☐ None of the above.
6. In HOS (Y is K -intensive, X is L -intensive, France is abundant in K and China in L), an exogenous increase in P_X/P_Y induces:	☐ France to export more X and import more Y . ☐ France to export more Y and import more X . ☐ China to export more X and import more Y . ☐ China to export more Y and import more X .
7. In HOS:	☐ Small countries lose from trade. ☐ Big countries lose from trade. ☐ Small countries gain more from trade than big countries. ☐ Big countries gain more from trade than small countries.