

**“The Miracle of Trade” *The Economist* 01-27-1996 &
“Trade Winds” *The Economist* 11-08-1997**

1. True or False (explain): A country or region can fail to have comparative advantage in anything.

2. True or False (explain): A country or region can have comparative advantage in everything.

3. Suppose China is worse at making bicycles than Korea (absolute disadvantage). Explain how China could still have a comparative advantage in producing bicycles.

4. Suppose Japan has an absolute advantage at producing autos compared to the United States. Explain how Japan might not have a comparative advantage in producing autos.

5. Why does the relative price of cheese to wine have to be the same in the two countries under free trade?

6. How does the relative price of cheese to wine under free trade compare to the prices in the countries before trade.

7. Why might wages in one country fall below wages in another country under free trade?

8. What counters complaints that low wages are a source of unfair competition and complaints that workers in developing countries are exploited?