

Comments on problem sets 2008

I read your answers for the purpose of getting an sense of how you are doing, and where there is confusion, and also to give you the incentive to make a good-faith effort to do the problem sets. However, I am not grading the problem sets, and by no means have I identified all of the mistakes that you made. (In some cases it seemed likely to me that people had used answer keys from previous years – something that I asked you not to do.) You should compare your answers with the online answer keys. Please see me or raise questions in class if there is any part of the answer keys that you do not understand

PS # 1

A couple of people had a bit of trouble with the second problem, or at least they were not clear. But almost everyone understood how to do this problem set.

PS # 2

Question 1. Some people incorrectly thought that if the equilibrium is at point B, the change in US technology does not change the world price. This assumption is wrong. Some people thought that at point B the US welfare **definitely** falls (following the improvement in umbrella technology); this answer is wrong. Many people gave wrong or inadequate answers to part B.

Question 2. Several people did not recognize that a necessary condition for the wages in the two countries to be equal is that neither country has an absolute advantage in both goods, and this requires $A < 6$. Some people did not recognize that the last part of this question is essentially the same as question 1.

Question 3. Remember: if a country faces autarchic prices when it trades, then there is no change in consumption, and thus no change in welfare. There may be, and in general there is, a change in the country's production.

PS # 3

There were significant errors in most parts of most student's answers.

Question 2. Some people did not use the supply and demand model, together with the areas showing gains from trade, to systematically answer the question. Some people just guessed at an answer. In particular, few people gave correct answers to part e, where I expected you to show that the

effect of the policy on the magnitude of the gains from trade are ambiguous – something that you can show by examples.

Question 3. Some people misunderstood this question to the extent of not recognizing that you were supposed to write down a price, e.g. $\frac{p}{1+t}$, and instead wrote down words like "increase". Even some people who understood the question, and wrote down a price, made significant mistakes.

Question 4. You could have answered this question by copying down the relevant parts of notes from Chapter 2 (as I suggested during our section meeting). Not everyone did this.

Question 5. Some people ignored my request to assign specific letters to specific points – a request made so that I can tell easily whether your answer is right. Please be careful about following these kinds of instructions, especially on exams. Many people did not finish the question – for example, they did not include the points F and H and therefore did not explain the interpretation of the distance between them. A large percentage of answers were wrong.

PS#4

Most people managed to successfully reproduce the answers that I went over quickly in the section meeting. Few people attempted to prove the results algebraically. (The question did not require you to do this, but I recommend it as an additional exercise.) Most people got the last two problems wrong.