

## **ECON1910 Spring 2023 – Postponed exam**

Consider a two-sector economy, with agriculture and manufacturing sectors, where wages are flexible and where there is no unemployment. Now open up for trade.

- 1) What happens to labor allocation?
- 2) How does the effects depend on relative prices in the world market?
- 3) When opening up for trade: a) What happens to the income of owners of land? b) What happens to the income of owners of manufacturing firms? c) What happens to income of workers?
- 4) How does the distribution of gains and losses from trade depend on the consumption pattern of people?
- 5) Is trade liberalization a good thing or a bad thing for the majority population of a country?