

ECON1910 EXAM

Question	Question title	Question type
1	Question 1	Text area
2	Question 2	Text area
3	Question 3	Text area
4	Question 4	Text area

1 Question 1

Consider a dual economy with manufacturing sector in the city and agricultural sector in the countryside, and where workers are free to migrate.

Explain how labour allocation and the wage are determined in a situation with no international trade.

Fill in your answer here

2 Question 2

Assume that a free trade reform increases the relative price of agriculture. Explain what happens to the labour allocation and to the real wage after the reform.

Fill in your answer here

3 Question 3

Explain who are possible winners and losers of the free trade reform by demonstrating what happens to:

- a) the income of owners of land
- b) the income of owners of manufacturing firms
- c) the income of the country as a whole

Fill in your answer here

4 **Question 4**

Assume that the wage in manufacturing is fixed at a high level. Show how this could result in unemployment (or in the rise of an urban informal sector with low paid jobs). How can the government reduce poverty in this case?

Fill in your answer here

