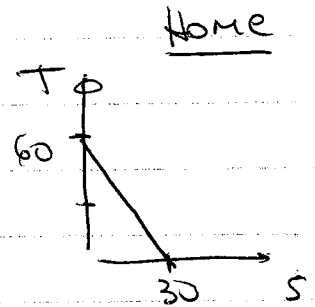


MORE RICARDO
COMPARATIVE STANCS EXAMPLES

- WE ASSUME THAT RD^w (RELATIVE DEMAND WORLD) DOES NOT CHANGE WITH INCOME CHANGES.
- THE MATRIX GIVES ALWAYS UNIT LABOUR REQUIREMENTS

1) EXAMPLE 1

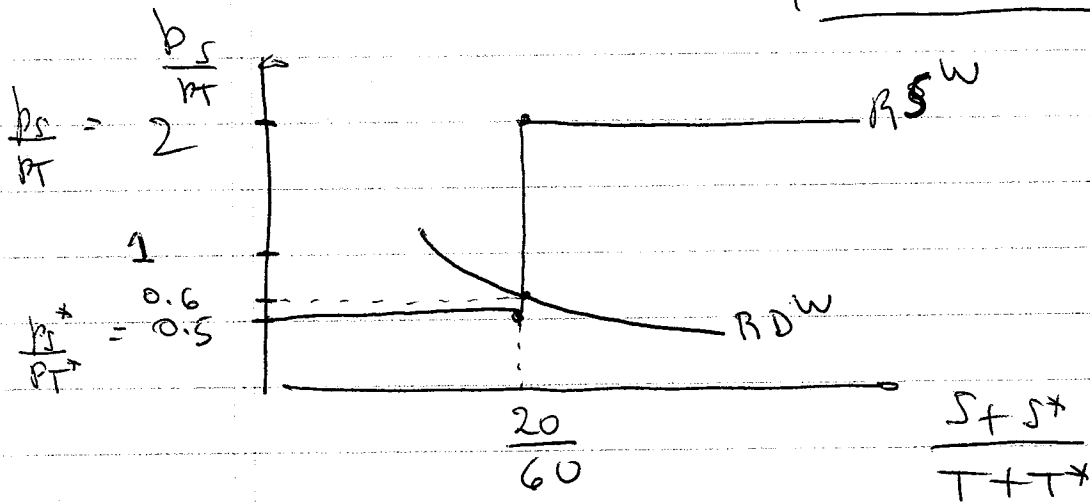
	<u>SITUATION</u>	
	H	F (*)
S	2	3
T	1	6



$\bar{L} = \bar{L}^* = 60$

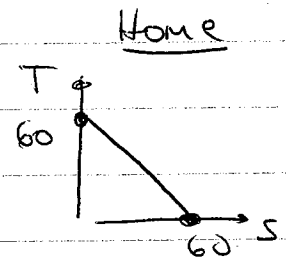
ASSUME FT PRICES:

$\frac{p_S^w}{p_T^w} = 0.6$



NEW ONE

	H	F (*)
S	1	3
T	1	6



$\bar{L} = \bar{L}^* = 60$

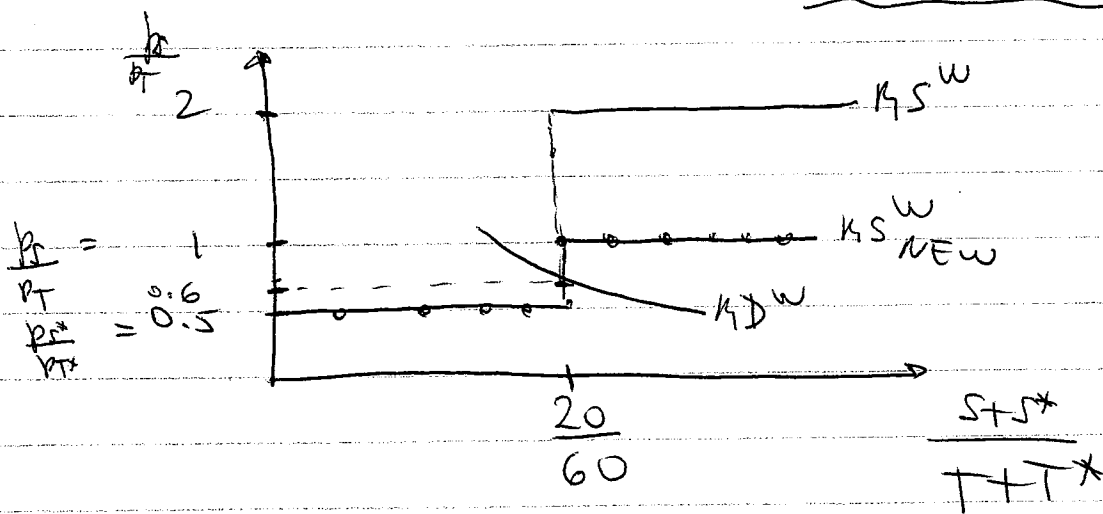
WHAT HAPPENS TO EQUIL FT PRICES?

THE CA STAYS THE SAME:
HOME HAS A CA IN T, FOREIGN IN S.

THE AUTARKY PRICES FOR HOME CHANGE
 LO:

$$\frac{P_S}{P_T} = 1, \quad \frac{P_S^*}{P_T^*} = \frac{1}{2}$$

But THE FT PRICES STAY THE SAME

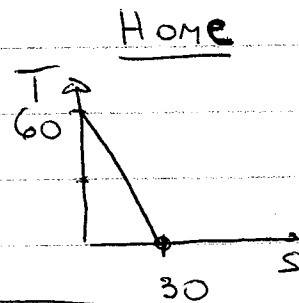


2) EXAMPLE 2

ORIGINAL

SITUATION

	H	F (*)
S	2	3
T	1	6



$$\bar{L} = \bar{L}^* = 60$$

ASSUME FT PRICES:

$$\frac{P_S^W}{P_T^W} = 1.5$$

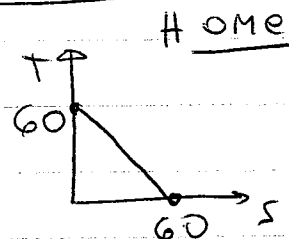
NEW ONE

	H
S	1
T	1

$$\bar{L} = \bar{L}^* = 60$$

F (*)

S	3
T	6



WHAT HAPPENS TO FT PRICES?

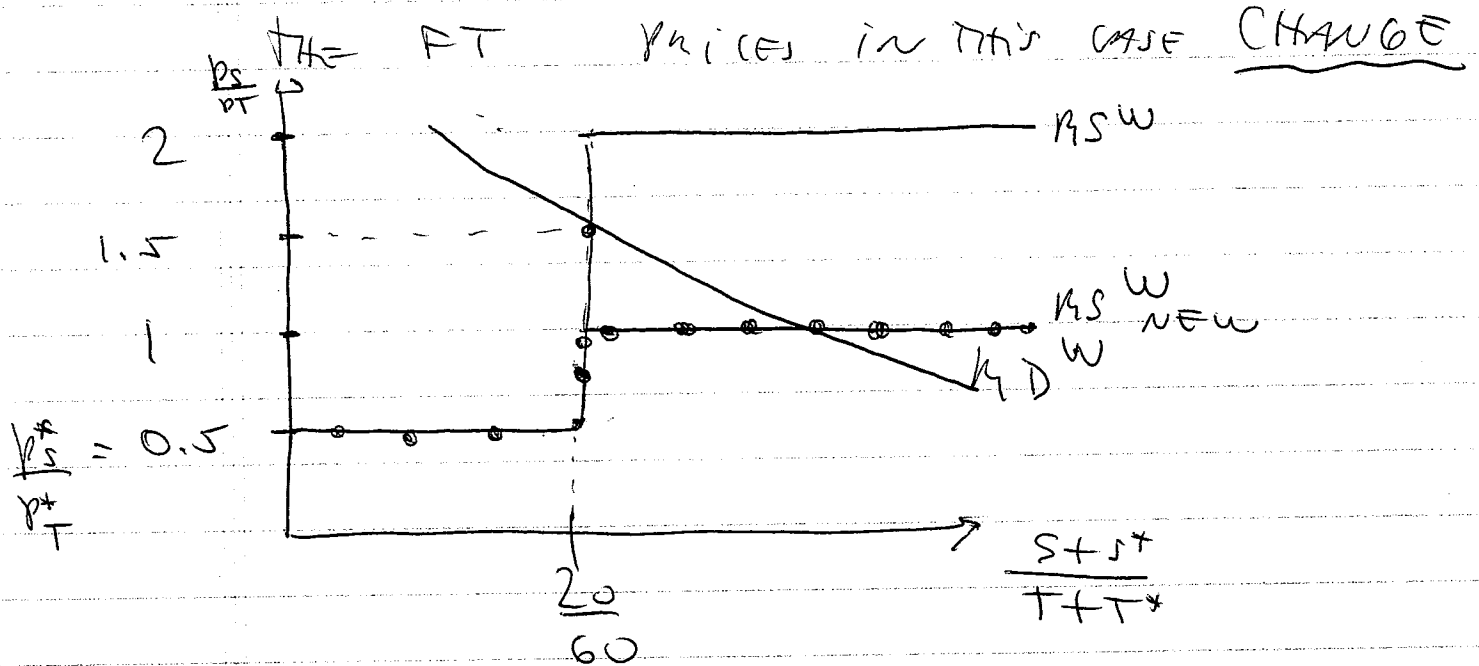
THE C.A STAYS THE SAME

THE AUTARKY PRICES FOR HOME CHANGE

LO :

$$\frac{p_S}{p_T} = 1$$

$$\frac{p_S^*}{p_T^*} = \frac{1}{2}$$



NEW $MS^W = \text{---}$

THE NEW FT PRICES ARE
 $\frac{p_S^w}{p_T^w} = 1$ (COINCIDE WITH
 AUTARKY HOME
 PRICES)

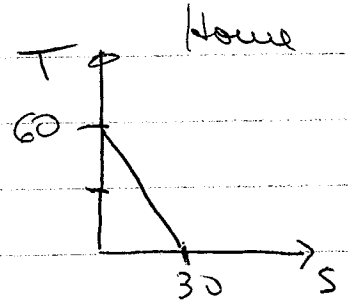
⇒ IN FT : Foreign specializes in soy
 Home produces BOTH

FOREIGN EXPORTS SOY

HOME " TEXTILES

3) EXAMPLE 3

	ORIGINAL	SITUATION
H	2	3
T	1	6

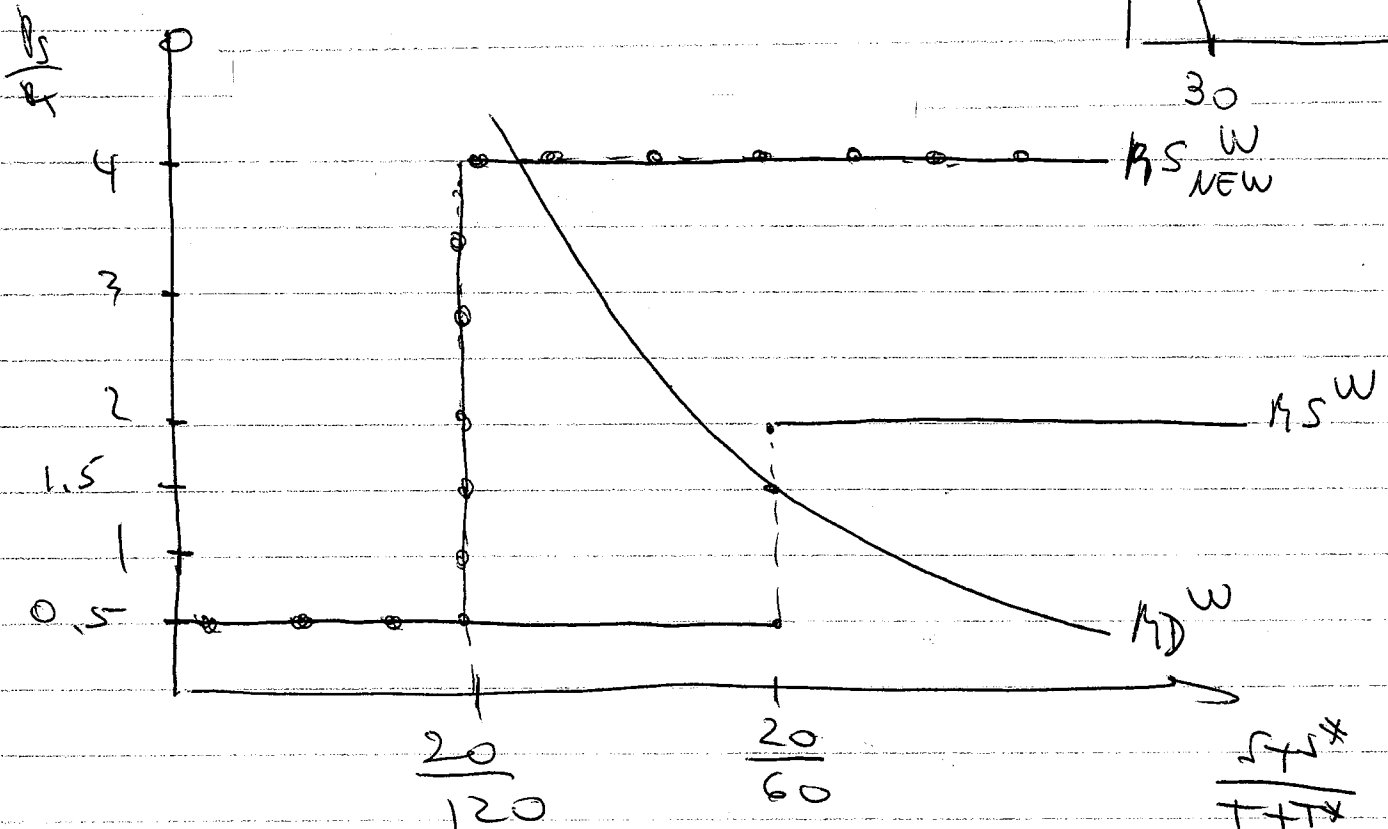
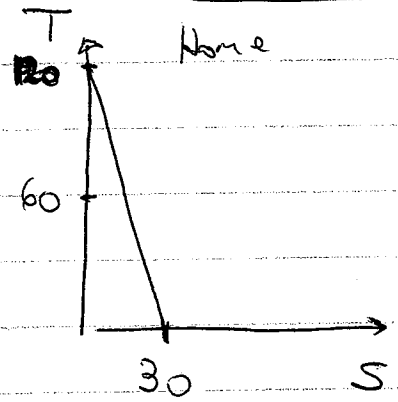


$L = L^* = 60$

ASSUME FT PRICES: $\frac{P_S^W}{P_T^W} = 1.5$

NEW ONE

	H	F(x)
S	2	3
T	1/2	6



IN THIS CASE, $\frac{P_S}{P_T} \uparrow$ (since soy is MORE SCARCE OR TEXTILES MORE ABUNDANT)

FOREIGN SPECIALIZES IN SOY
HOME PRODUCES BOTH