HOME and FOREIGN produce and consume two goods, Juice and Steak, using (amazingly) only labor as a factor of production. Labor supply is 200 in HOME and 200 in FOREIGN. Unit labor requirements are as follows:

<table>
<thead>
<tr>
<th></th>
<th>STEAK</th>
<th>JUICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOME</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>FOREIGN</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

1. (4 points) Draw the RS curve on the axes above, filling in all three spaces with numbers based on the unit labor requirements given in the Table. You must fill in numbers: algebraic formulas will not receive any credit.

2. (1 point) Suppose that at the **free-trade equilibrium**, the world (HOME + FOREIGN) consumes 120 Steaks and 120 bottles of Juice. Draw a Relative Demand (RD) Curve in the graph that is consistent with these demands.

3. (1 point) At this equilibrium, HOME exports (please choose the best answer):
   a. Steak
   b. Juice
   c. Neither Steak nor Juice. HOME remains in autarky and produces only what it consumes.
4. (2 points) The graphs below show PPFs and consumption opportunity lines for HOME and FOREIGN. In these graphs, a large dot indicates the country’s production point, and a heart indicates its consumption point. Which set could be consistent with the equilibrium you drew in question 2? Please choose one of the following: a. A  b. B  c. C  d. None of the graphs could be consistent

The following question is unrelated to the previous 4 questions

5. (2 points) Mexico and the United States produce Olive Oil and Textiles. The marginal product of labor in the Olive Oil industry is equal to 2 in the United States and to 4 in Mexico. This is enough information for us to conclude that

a. The United States has the comparative advantage in producing Olive Oil.
b. Mexico has the comparative advantage in producing Olive Oil.
c. The United States has the absolute advantage in producing Olive Oil.
d. Mexico has the absolute advantage in producing Olive Oil.