

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (30 points) Draw the S/D diagram for bread for the USA, beside it the S/D diagram for world trade of bread, and beside that the S/D diagram for bread for Saudi Arabia. How did you get the S/D lines in the middle graph? According to your graph, which country is exporting which good? How can you tell that and how can you tell that the volume of bread exported is the volume of bread imported. Illustrate the effects of a drought in the USA. Explain why the curve(s) moved. What happened to the world price and the volume of trade?

2) (30 points) Draw the PPF/indifference curves for melons for the USA assuming we export melons. Use it to find three points on the offer curve for the USA, where the other good is glasses. Explain how you found those points.

3) (15 points) Draw the four quadrant offer curve diagram for one country. You choose the country and products. Explain why it takes its shape.

4) (25 points) Draw an offer curve diagram for Brazil and the EU which has the offer curves cross three times. Use bananas and chocolate as your goods. For each of the three intersection points, determine if it is stable or unstable. Explain your logic.