Wilf Csaplar Jr.   ECON360   Homework #2   **Due Monday 2/12**

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 10 points. If you use double-sided printing or write on the back of scrap paper, I will give you one additional point.

1) (40 points) Draw normal shaped PPFs for large two countries. Have the USA with an absolute advantage in wheat and South Korea having an absolute advantage in electronics. Remember, the capital intensive good is on the vertical axis. Draw it such that they have the same indifference curves. Find the autarky points, the production with trade for both countries, the CPF for both countries with trade, and the consumption levels for both countries. Briefly explain how you found all the points.

2) (40 points) Draw normal shaped PPFs for two large countries. Have both the two countries with identical production capabilities and but in the USA we like cell phones a lot and in China they like rice a lot.. Remember, the capital intensive good is on the vertical axis. Find the autarky points, the production with trade for both countries, the CPF for both countries with trade, and the consumption levels for both countries. Briefly explain how you found all the points.

3) (10 points) Explain why the indifference curves take their shape. Make sure you use the formula for their slope in your explanation.

4) (10 points) What is the definition of a "small country" used by economists? Can you think of a market in which the USA is a small country? Explain your logic.