Wilf Csaplar Jr. Economics 360 Homework #3 **Due Wednesday 9/11**

Slide your assignment under my office door by the time class is scheduled to end, i.e. 12:00.

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. 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) (25 points) Look at the graph in the link below. Why does the graph slope upward? Draw the offer curves for cars and fruit for Brazil and Norway which would agree with that graph. Make sure you explain how you determined which good is on which axis and which country exports which good. Add one trade indifference curve for each country, and going through the point they are trading at. Explain how you determined which indifference curve belonged to which country.
https://ourworldindata.org/grapher/capital-intensity-vs-labor-productivity?time=2015..latest

2) (25 points) Draw two offer curves which cross at three points. (You can choose the countries and products.) For each of the intersection points, determine if it is stable or unstable. Prove the stability or instability.

3) (15 points) Draw a set of trade-indifference curves for a labor abundant country on a graph which could have offer curves, but do not draw the offer curves. Explain why the curves get flatter or steeper as you move from left to right. Which direction is a higher level of happiness? Explain your logic.

4) (5 points) The sixth assumption your book lists for the Heckscher-Ohlin model is, "Tastes are equal in both nations." Why is that an important assumption?

5) (20 points) Do offer curves bend back towards the axis of the imported good or the exported good? Explain your logic using a graph with three different TOT lines.

6) (10 points) What is the conclusion of the Heckscher-Ohlin model as to which country exports which good? Explain why that conclusion makes intuitive sense.