

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 this assignment 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) (40 points) According to an article at thetravel.com, Canadians like to eat ketchup flavored potato chips, but Americans do not. According to dailyhive.com, Canadians do not like Starbucks as much as Americans do. Draw a PPF for ketchup flavored potato chips and Starbucks coffee. Explain why you put each good on their respective axes. Assume the PPF is the same for the two countries. Draw the indifference curves for the two countries. (I strongly recommend you draw USA in one color and Canada in another color.) Explain why the curves you added look as drawn. Draw the CPF/TOT line. Show the production and consumption points for the two countries. Explain how you found them. State how you know trade is the same going both directions.

<https://www.thetravel.com/25-foods-from-canada-that-the-us-will-never-approve-of/>

<https://dailyhive.com/vancouver/koho-millennials-coffee-starbucks-tims>

If you want to read something strange read the descriptions of #14 and #13 on the article about foods found in Canada.

2) (15 points) Explain why indifference curves slope down on the PPF diagram and get flatter.

3) (30 points) Draw the partial equilibrium diagram for doors. Make your diagram show the US exporting to Canada. Explain how you got the lines for the center “world” diagram.

4) (15 points) Explain why the slope of the CPF, a.k.a. TOT, is $-P_X/P_Y$.