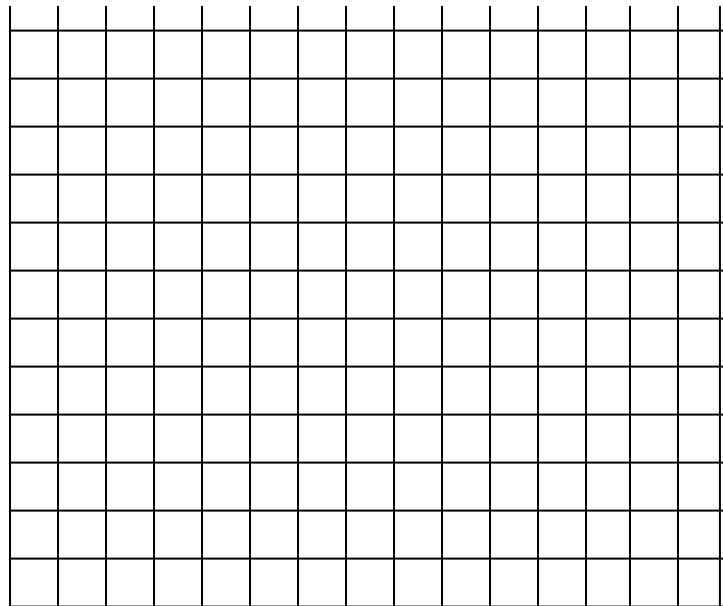


**PRACTICE EXERCISES FOR CHAPTER 1**

The exercises below are designed to facilitate your understanding of the mathematical and graphical concepts relevant to Chapter 1. Use your lecture notes and textbook to complete the problems and THEN “grade” yourself using my solutions, which are provided on the last few page of this packet. **Remember, completing this exercise set is only a PART of the exam preparation process in this course!**

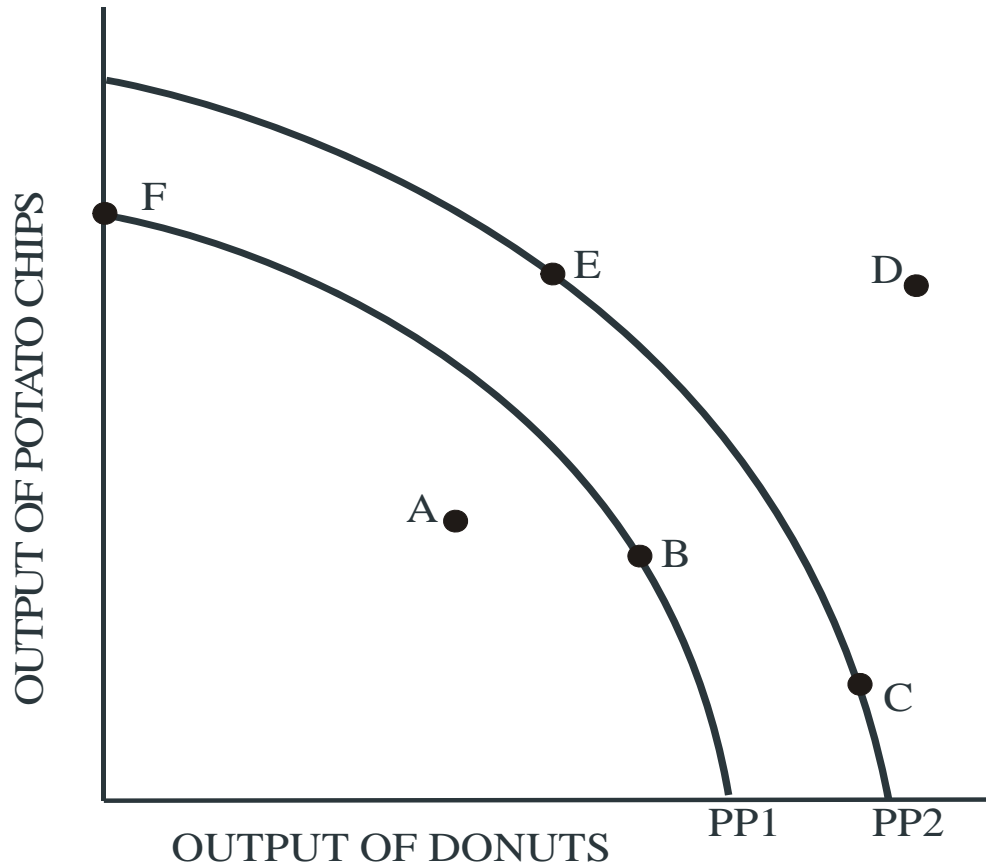
Use the information in the table below to draw a production possibilities curve (PPC) for the mythical nation of Dreamland. Assume that Dreamland produces only two products: clothing and food. Label the x axis of your graph with Clothing and label the y axis with Food. Number your axes by 10s.

Combination	Clothing	Food
A	0	110
B	10	105
C	20	95
D	30	80
E	40	60
F	50	35
G	60	0



1. How would you describe a combination of 20 units of clothing and 80 units of food?  
(attainable and efficient, attainable but inefficient, currently unattainable)
  
2. How would you describe a combination of 50 units of clothing and 80 units of food?  
(attainable and efficient, attainable but inefficient, currently unattainable)
  
3. How would you describe a combination of 40 units of clothing and 60 units of food?  
(attainable and efficient, attainable but inefficient, currently unattainable)
  
4. What is the opportunity cost (in terms of food) of moving from combination A to combination B? In other words, in order to move from point A to B, Dreamland must give up producing how many units of food?
  
5. What is the opportunity cost of moving from combination B to combination C?
  
6. What is the opportunity cost of moving from combination C to combination D?
  
7. What is the opportunity cost of moving from combination D to combination E?
  
8. What is the opportunity cost of moving from combination E to combination F?
  
9. What is the opportunity cost of moving from combination F to combination G?
  
10. So, this production possibilities schedule illustrates the Law of \_\_\_\_\_  
\_\_\_\_\_ .

Use this graph to answer questions 11 – 16 below.



11. If the economy's productive capacity is represented by PP1, point E represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

12. If the economy's productive capacity is represented by PP1, point A represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

13. If the economy's productive capacity is represented by PP1, point F represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

14. If the economy's productive capacity is represented by PP2, point B represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

15. If the economy's productive capacity is represented by PP2, point E represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

16. If the economy's productive capacity is represented by PP2, point D represents a(n) \_\_\_\_\_ combination of potato chips and donuts for this economy.

(attainable and efficient, attainable but inefficient, currently unattainable)

**MY SOLUTIONS**

- (1) attainable but inefficient
- (2) currently unattainable
- (3) attainable and efficient
- (4) 5 units of food
- (5) 10 units of food
- (6) 15 units of food
- (7) 20 units of food
- (8) 25 units of food
- (9) 35 units of food
- (10) Law of increasing opportunity cost
  
- (11) currently unattainable
- (12) attainable but inefficient
- (13) attainable and efficient
- (14) attainable but inefficient
- (15) attainable and efficient
- (16) currently unattainable