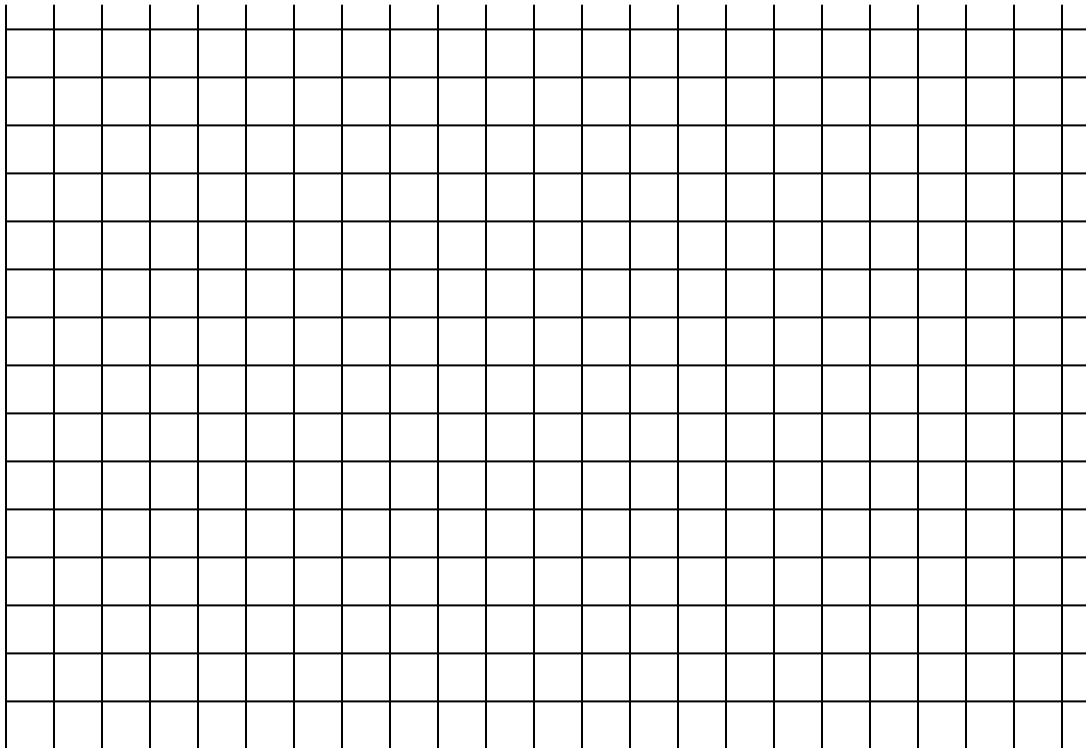


PRACTICE EXERCISES FOR CHAPTER 1

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 pages 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 Chefland. Assume that Chefland produces only two products: whiskey and hot dogs. Label the x axis of your graph with hot dogs and label the y axis with whiskey. Number your axes by 10s.

Combination	Hot Dogs	Whiskey
A	210	0
B	200	20
C	180	40
D	150	60
E	110	80
F	60	100
G	0	120



1. How would you describe a combination of 20 units of hotdogs and 100 units of whiskey?
(attainable and efficient, attainable but inefficient, currently unattainable)

2. How would you describe a combination of 120 units of hotdogs and 100 units of whiskey?
(attainable and efficient, attainable but inefficient, currently unattainable)

3. How would you describe a combination of 200 units of hotdogs and 20 units of whiskey?
(attainable and efficient, attainable but inefficient, currently unattainable)

4. What is the opportunity cost (in terms of hotdogs) of moving from combination A to combination B? In other words, in order to move from point A to B (and free up more resources for whiskey production), Chefland must give up producing how many units of hotdogs?

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?

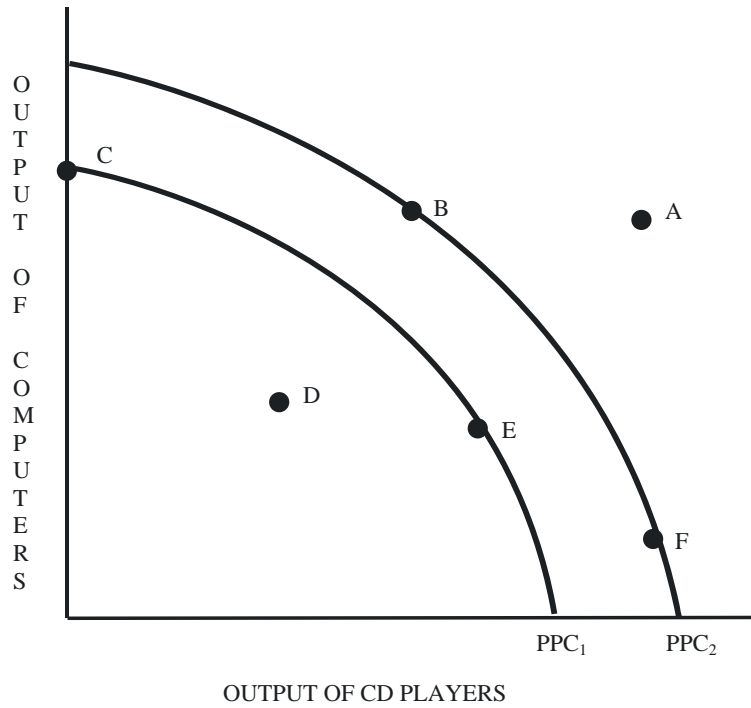
7. What is the opportunity cost of moving from combination D to combination E?

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- 15 below.



11. If the economy's productive capacity is represented by PPC_1 , point E represents a(n) _____ combination of computers and CD players for this economy.
 (attainable and efficient, attainable but inefficient, currently unattainable)

12. If the economy's productive capacity is represented by PPC_1 , point D represents a(n) _____ combination of computers and CD players for this economy.
 (attainable and efficient, attainable but inefficient, currently unattainable)

13. If the economy's productive capacity is represented by PPC_1 , point B represents a(n) _____ combination of computers and CD players for this economy.
 (attainable and efficient, attainable but inefficient, currently unattainable)

14. If the economy's productive capacity is represented by PPC 2, point B represents a(n)
_____ combination of computers and CD players for this economy.

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

15. If the economy's productive capacity is represented by PPC 2, point E represents a(n)
_____ combination of computers and CD players for this economy.

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

16. If the economy's productive capacity is represented by PPC 2, point A represents a(n)
_____ combination of computers and CD players 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) 10 units of hot dogs
- (5) 20 units of hot dogs
- (6) 30 units of hot dogs
- (7) 40 units of hot dogs
- (8) 50 units of hot dogs
- (9) 60 units of hot dogs
- (10) Law of increasing opportunity cost

- (11) attainable and efficient
- (12) attainable but inefficient
- (13) currently unattainable
- (14) attainable and efficient
- (15) attainable but inefficient
- (16) currently unattainable