

Economics 101
Spring 2000
Section 4 - Hallam
Quiz 2

1. Which of the following is a reasonable method to construct the production possibility *frontier* which is the efficient boundary of the production possibility set?
- pick a level of the two outputs and then find all levels of inputs that are able to produce this specific output combination.
 - set a level for all inputs, pick a level of one of the two outputs, find the maximum level of the other output for this level of the first output, and then repeat for other levels of the first output.
 - set a level for all inputs, pick a level of one of the two outputs, find all feasible levels of the other output for this level of the first output, and then repeat for other levels of the first output.
 - pick a level of the two outputs and hold this fixed, pick a level of one of the two inputs and then find the minimum level of the other input that is required to produce the chosen output combination given the fixed level of the first input, and then repeat for other levels of the first input.

2. Robinson Crusoe and Man Friday live on an island. The following table represents their output in a day of work.

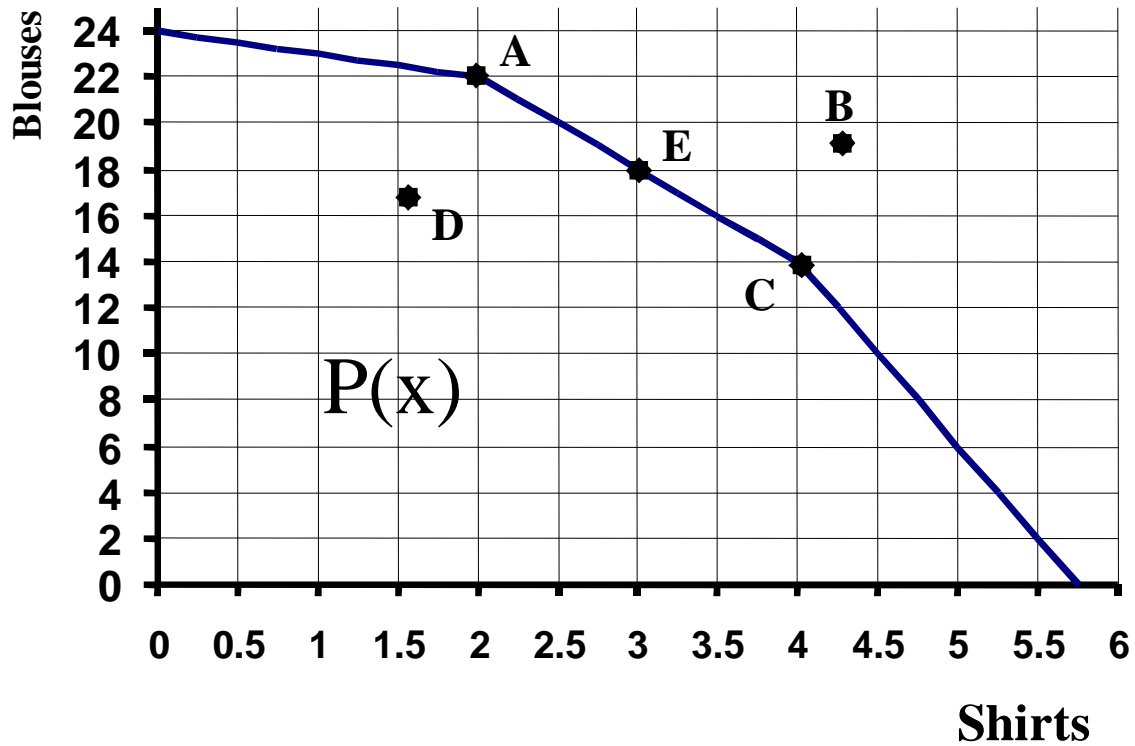
	Fish	Grasshoppers
Robinson Crusoe	4	20
Man Friday	6	24

Which of the following statements is true.

- Friday has an absolute advantage in both products and a comparative advantage in catching grasshoppers.
 - Friday has an absolute advantage in both products and a comparative advantage in catching fish.
 - Crusoe has an absolute advantage in both products and a comparative advantage in catching grasshoppers.
 - Crusoe has a comparative advantage in fishing and a comparative advantage in catching grasshoppers.
 - Crusoe has an absolute advantage in both products and a comparative advantage in catching fish.
3. For the following supply and demand curves, find the equilibrium price and quantity.
 $D = 32 - 2P$ $S = 2P + 8$
- $P = 10, Q = 11$
 - $P = 9, Q = 14$
 - $P = 10, Q = 12$
 - $P = 11, Q = 10$
 - $P = 9, Q = 10$

The following graph should be used for questions 4 and 5.

Production Possibility Set Shirts and Blouses



4. Which point is not feasible?
- A.
 - B.
 - C.
 - D.
 - E.
5. When the firm is producing between 2 and 4 shirts, what is the opportunity cost of one more blouse?
- a. 3 shirts
 - b. 3.5 shirts
 - c. 4 shirts
 - d. 5 shirts
 - e. 1/4 shirt

Consider the diagrams on the following page for questions 6-8. In all cases the initial situation is at S_0 and D_0 .

6. Consider panel A. This represents
 - a. A decrease in demand and a decrease in supply.
 - b. A decrease in price and an increase in supply.
 - c. A decrease in demand and a decrease in the quantity supplied.
 - d. A decrease in supply.
 - e. A decrease in the quantity demanded and a decrease in supply.

7. Consider panel D. This represents
 - a. An increase in demand and a decrease in the quantity supplied.
 - b. A decrease in the quantity supplied and an increase in price.
 - c. An increase in the quantity demanded and a decrease in supply.
 - d. A decrease in supply and an increase in demand.
 - e. a and d.

8. Which panel best represents the effect of a fire destroying a western forest used for lumber?
 - a.
 - b.
 - c.
 - d.

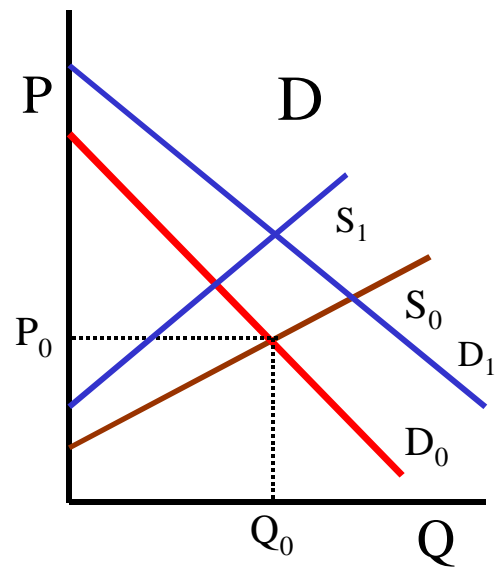
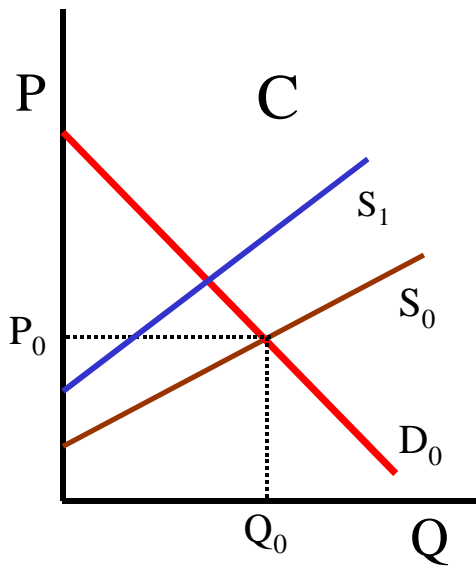
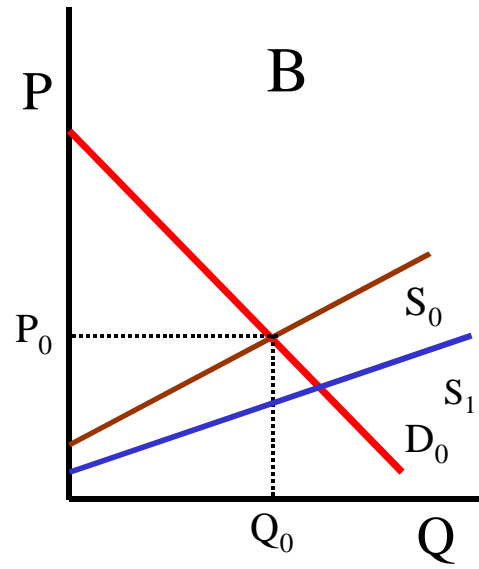
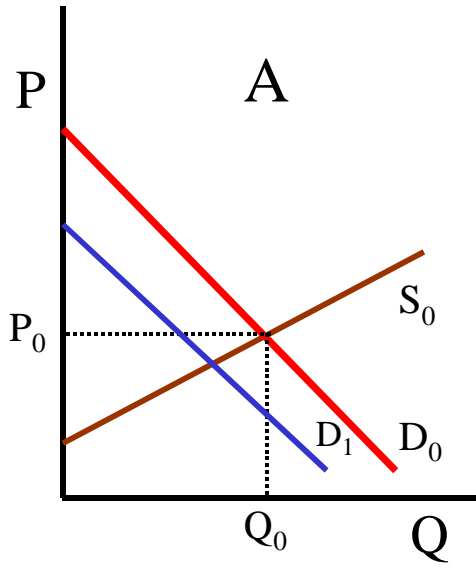
Use the following table to answer questions 9 and 10.

Cost per unit data

	Per VCR	Per Computer
U.S.	\$200	\$1200
Germany	DM 500	DM 2,500

9. What is the opportunity cost of producing one more computer in the United States?
 - a. \$200
 - b. 6 VCRs
 - c. 1 computer
 - d. 1/6 VCR
 - e. 6 computers

10. Which of the following is true?
 - a. Germany has a comparative advantage in producing computers.
 - b. The U.S. has an absolute advantage in producing both goods and a comparative advantage in computers.
 - c. The U.S. has a comparative advantage in both computers and VCRs.
 - d. The U.S. has a comparative advantage in producing computers.
 - e. The U.S. has an absolute advantage in producing both goods and a comparative advantage in VCRs.



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Answers

1. b
2. b
3. c
4. b
5. e
6. c
7. d
8. c
9. b
10. a