

**Economics 101**  
**Spring 2001**  
**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?
  - a. pick a level of the two outputs and then find all levels of inputs that are able to produce this specific output combination.
  - b. 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.
  - c. 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.
  - d. 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. James Cook and Fletcher Christian live on an island. The following table represents their output in a day of work.

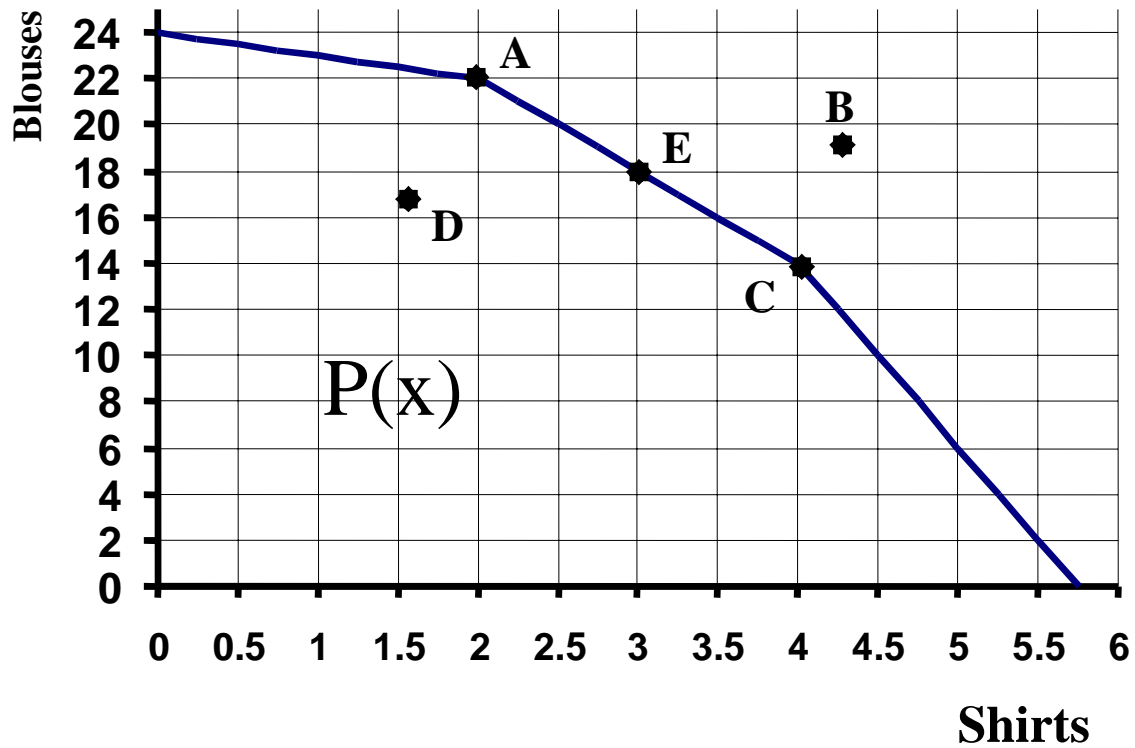
	Pineapple	Beetles
Cook	5	20
Christian	7	21

Which of the following statements is true.

- a. Cook has an absolute advantage in both products and a comparative advantage in catching beetles.
  - b. Christian has an absolute advantage in both products and a comparative advantage in catching beetles.
  - c. Cook has an absolute advantage in both products and a comparative advantage in picking pineapple.
  - d. Cook has an absolute disadvantage in both products and a comparative advantage in catching beetles.
  - e. Christian has a comparative advantage in picking pineapple and a comparative advantage in catching beetles.
3. For the following supply and demand curves, find the equilibrium price and quantity.  
 $D = 36 - 2P$     $S = 3P - 9$ 
    - a.  $P = 10, Q = 16$
    - b.  $P = 9, Q = 18$
    - c.  $P = 10, Q = 11$
    - d.  $P = 12, Q = 15$
    - e.  $P = 9, Q = 10$

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

## Production Possibility Set Shirts and Blouses

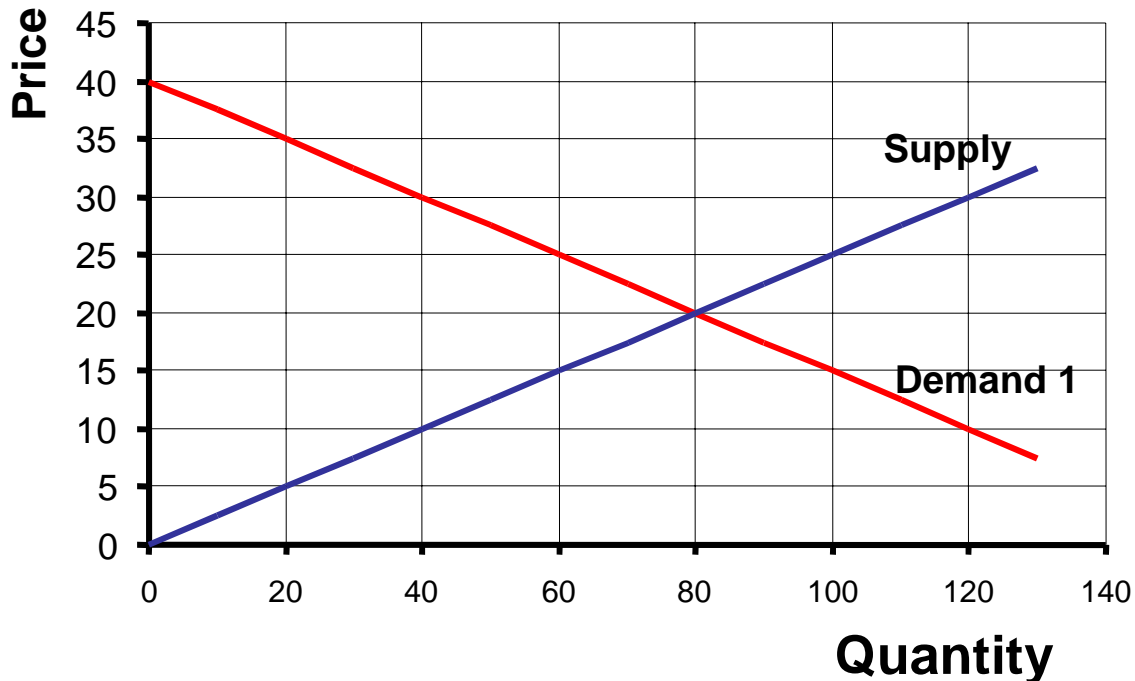


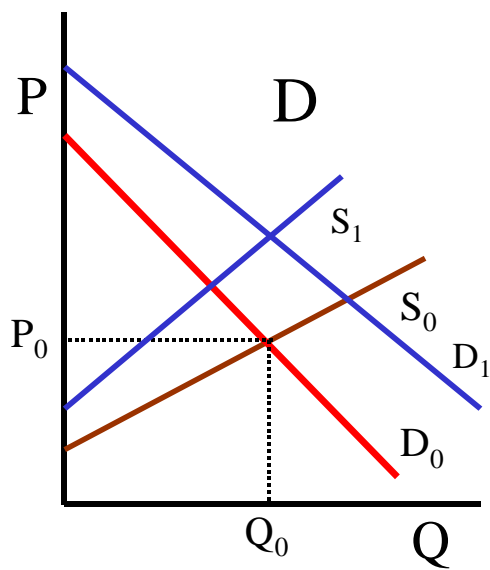
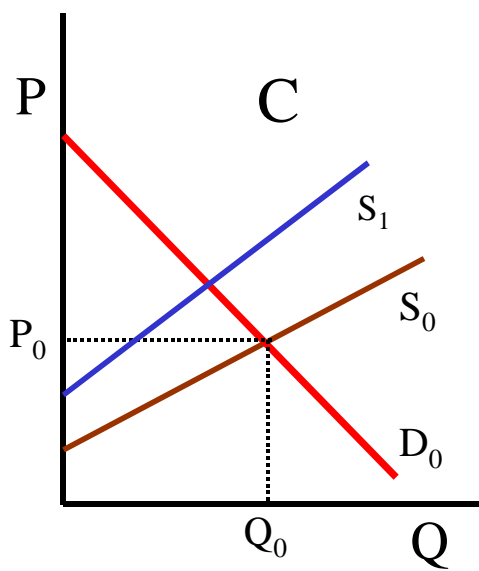
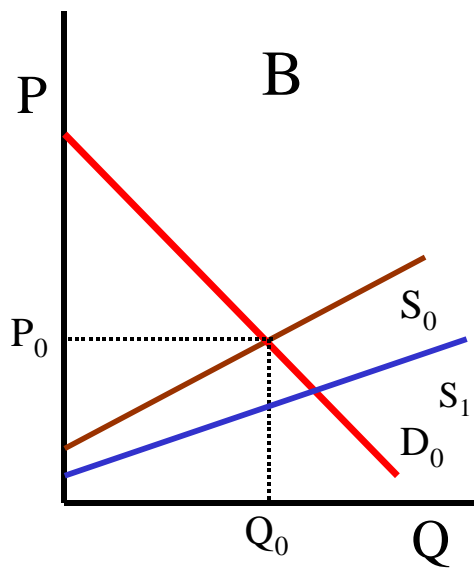
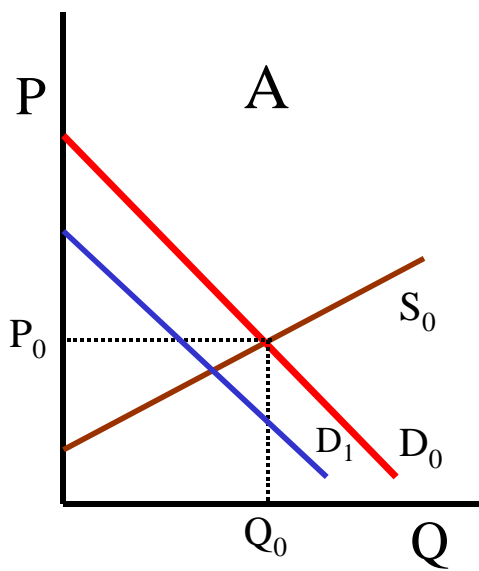
4. Which point is inefficient?
  - A.
  - B.
  - C.
  - D.
  - E.
  
5. When the firm is producing between 0 and 2 shirts, what is the opportunity cost of one more blouse?
  - a. 3 shirts
  - b. 1 shirt
  - c. 2 shirts
  - d. 1/2 shirts
  - e. 1/4 shirt

Consider the diagrams on the following page for questions 6-7. In all cases the initial situation is at  $S_0$  and  $D_0$ .

6. Consider panel A. Which of the following stories is consistent with the diagram?
  - a. A rise in income for a normal good.
  - b. The price of an input used by the firm supplying this good falls.
  - c. There is a labor strike by the employees of the firm supplying this good.
  - d. There is a labor strike by the employees of the firm purchasing this good.
  - e. The price of a substitute good for the consumers of this product rises.
  
7. Consider panel D. Which of the following stories is consistent with the diagram?
  - a. The price of a substitute good for the consumers of this product rises while the technology used for making this product becomes more efficient.
  - b. The price of a complementary good for the consumers of this product rises while the cost of an input used by the firms producing this product falls.
  - c. The price of a substitute good for the consumers of this product rises while firms who produce this product expect the price to fall in the near future.
  - d. The government announces that consuming this product causes an increase in smelly undesirable perspiration while the cost of producing this product rises.
  - e. The price of a complementary good for the consumers of this product falls while the cost of an input used by the firms producing this product rises.
  
8. Consider the market for flashlights below. What is the equilibrium price and quantity?
  - a.  $P = 10, Q = 16$
  - b.  $P = 10, Q = 40$
  - c.  $P = 80, Q = 20$
  - d.  $P = 30, Q = 120$
  - e.  $P = 20, Q = 80$

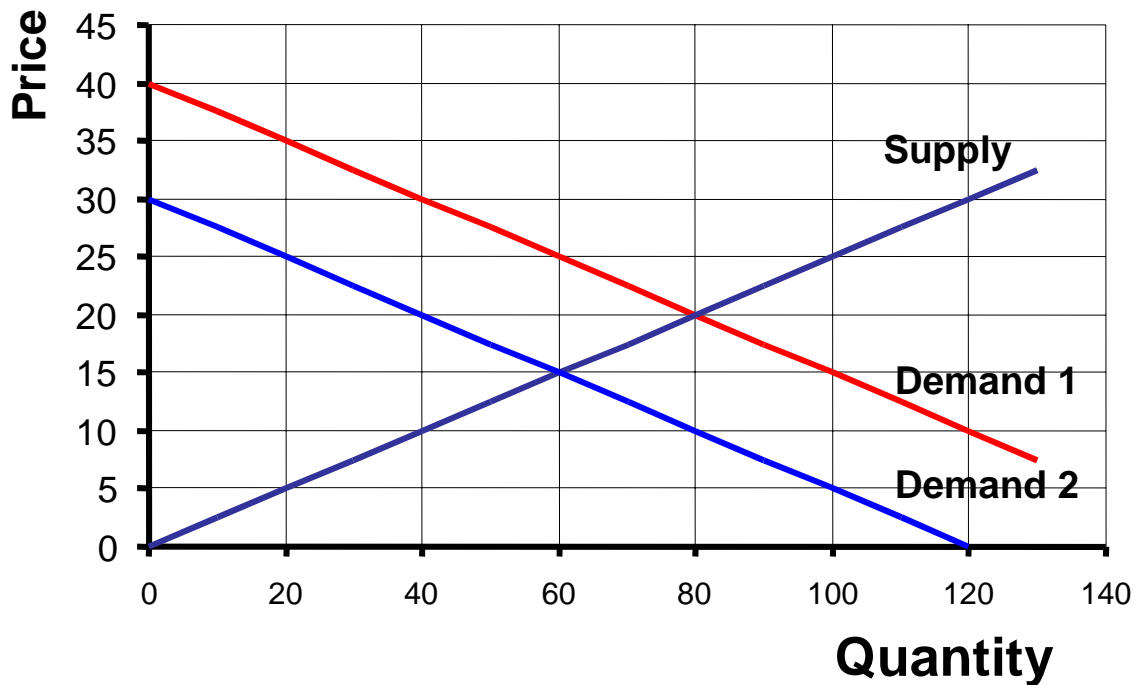
## Market For Flashlights





9. What is excess supply when price is equal to \$15 in the diagram in problem 8?
- 60
  - 40
  - 100
  - 40
  - 80
10. Now consider the introduction of a new type of wristwatch that can produce the light of a standard flashlight from a tiny cell embedded in the watch. The weight of this cell is minimal and it has excellent battery life. The diagram below depicts the change in the market for flashlights. What will be the new equilibrium price and quantity?
- $P = 10, Q = 40$
  - $P = 20, Q = 60$
  - $P = 15, Q = 60$
  - $P = 30, Q = 120$
  - $P = 20, Q = 80$

## Market For Flashlights



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**Answers**

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