Economics 101 Quiz 4 Name:_____
Fall 2014
Quiz is Due in Discussion Section (October 23 or 24)
Must be handed in, in person, to the discussion section in which you are registered.
No Late Quiz will be accepted.

1) Consider a simple, two good economy that can produce the following output combinations. Each combination uses the maximum amount of the available resources:

Output Combination	Good X	Good Y
A	2,000	0
B	1,600	600
C	1,200	1,000
D	800	1,200
E	400	1,300
F	0	1,350

a. Draw a production possibility frontier with Good X on the horizontal axis and Good Y on the vertical axis. Label each of the bundles (A – F) on your graph. Is a combination of 1,100 units of good Y and 1,200 of good X feasible for this economy? Label this bundle as point (G) and briefly explain. (2 points)

b. Compare the opportunity cost of increasing production of Good X when moving from point E to point D with the opportunity cost of increasing production of Good X when moving from point C to point B. What important property is being illustrated by the shape of the PPF? (2 points)

c. Suppose technological advances allow this economy to double the amount of Good Y that is produced over the same period of time and with the same resources. On the same graph, draw the original PPF and the new PPF that incorporates the technological change. Is the bundle labeled as point (G) in your original diagram feasible with the new PPF? Is it efficient? Briefly explain. (2 points)

2) Evaluate the following statement as being either True or False, and explain your reasoning. Consider a simple two good economy. If the demand curve for one of the goods shifts to the right, this will result in an outward shift in the production possibility frontier for this economy. (2 points)

3) Briefly explain the following statement and provide an example that is relevant for the concepts of specialization and trade "The division of labor is limited by the extent of the market." (2 points)