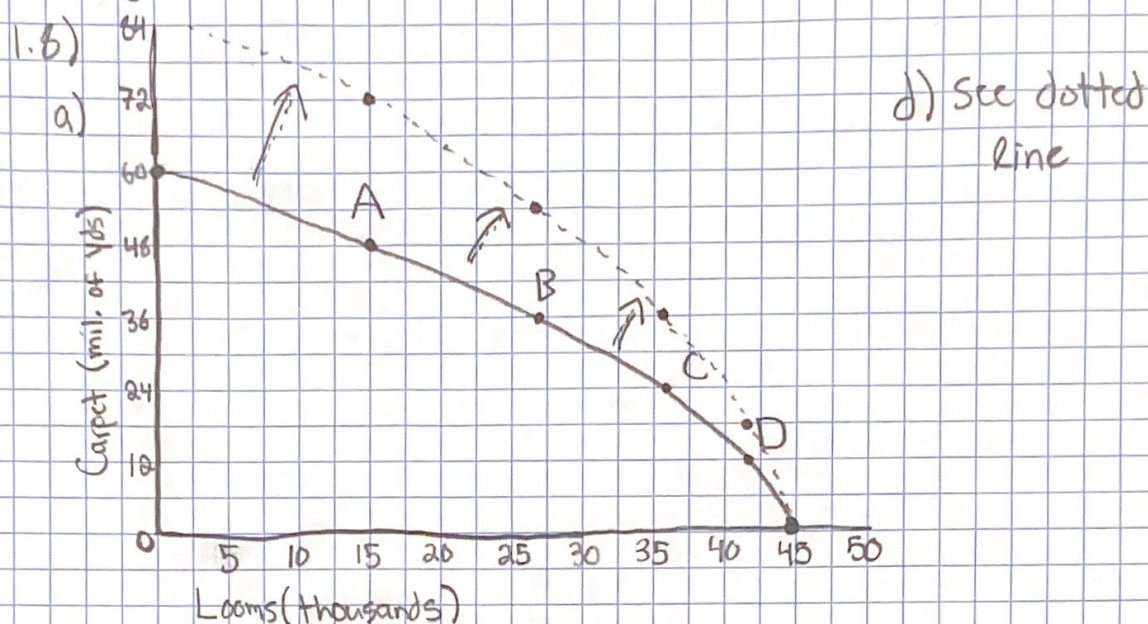


Peter Rauscher

BT 243 Assignment 1

I pledge my honor that I have abided by the Stevens Honor System.



b) Moving from D to C shows we gain 12 ($24 - 12$) million yards at the cost of 6 thousand ($42 - 36$) looms, or 2,000 yards per loom we forgo. Moving from B to A shows we gain only 12 ($48 - 36$) million yards of carpet at the cost of 12 thous. looms ($27 - 15$), or 1,000 yards per loom we forgo. Since the opportunity cost of producing more carpet becomes increasingly expensive the more of it we produce, the law of increasing opportunity cost holds for this nation.

c) If the nation chooses to produce both carpet and looms, the ppf will shift outwards in all directions as more capital goods are produced and production capacity increases.

e) Initially, production @ 15 thou. looms was 48 million yards of carpet. After the tech change, production @ 27000 looms is 150% of 36 million yards of carpet, or

$$1.5(36 \text{ mil}) = 54 \text{ mil vds carpet}$$

So, the total difference in production is

$$54 - 48 = 6 \text{ million yards of carpet increase}$$

1.14)

- a) The PPC would shift up and to the right, thanks to an increase in technological developments from an educated population.
- b) PPC shifts up and to the right thanks to increased resource availability
- c) The PPC will shift down and to the left due to a decrease in labor availability.
- d) PPC shifts up and to the right due to decreased unemployment rates and thus higher labor availability.
- e) PPC shifts up and to the right due to a technological improvement resulting in increased production rate.
- f) PPC shifts down and to the left due to a shortage in land and labor caused by the leak.