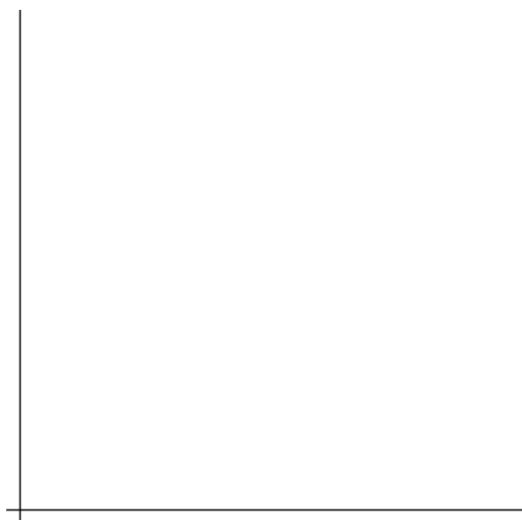


Econ 0100 | Fall 2024 | Vignette A1

Hagrid's PPF

One of Hagrid's unknown skills is that he's great in the kitchen. He can bake 20 rock cakes (R) or 30 fruitcakes (F) in one day. Set up Hagrid's PPF on an x,y graph with rock cakes (R) on the vertical and fruitcakes (F) on the horizontal. Be sure to label the axes and the intercepts.



Q1. Opportunity Cost

What is Hagrid's opportunity cost of: a rock cake _____; a fruitcake _____?

Q2. Change in Labor

On the graph above, show what would happen to Hagrid's PPF if he decides to spend twice as much time baking.

Q3. Change in Technology

On the graph above, show what would happen to Hagrid's PPF if his fruitcake mixing stand (not used to make rock cakes) were to deteriorate and only operate at half speed.

Q4 | Specialization

Suppose Madame Maxime can bake 10 rock cakes and 5 fruitcakes in one day. Use an opportunity cost table to determine who has the comparative advantage in each good.

Comparative advantage in R : _____; Comparative advantage in F : _____

Q5 | Trade

Suppose Hagrid and Maxime decide they want to specialize according to their comparative advantages and trade goods. Without specifying how much they will exchange, what is an exchange rate that would make them both better off?

1 R for _____ F