

Quiz 1, Econ 170, Winter 2008

Thomas G. Koch

FGS, Chapter 2: Exercises 1, 5 and 6.

EXERCISE 1 Draw the production possibilities curve for an economy that produces two goods, health and entertainment. Show how this PPF would change if the technology for improving peoples' health was to improve. Show the change if there were an increase in the underlying available quantities of capital and labor.

EXERCISE 5 In a graph with OG on the vertical axis and Food on the horizontal, what is the Food-axis intercept? How does the budget constraint shift if the consumer's income level and the two prices double all double?

EXERCISE 6 Calculate the price elasticity for a \$1 change in price at initial price level \$300 and demand function $Q_d = 1,500 - 1.5P$.