

Homework I
(Submission date: Oct., 27 2023)
(Late submissions will not be evaluated)

1.	Loaves of bread (millions)	Ovens (thousands)
	75	0
	60	12
	45	22
	30	30
	15	36
	0	40

These figures assume that a certain number of previously produced ovens are available in the current period for baking bread.

- a. Using the data in the table, graph the production possibility curve (with ovens on the vertical axis).
- b. Does the principle of “increasing opportunity cost” hold in this nation? Explain briefly.
- c. If this country chooses to produce both ovens and bread, what will happen to the production possibility curve over time? Why?
Now suppose that a new technology is discovered that allows twice as many loaves of bread to be baked in each existing oven.
- d. Illustrate (on your original graph) the effect of this new technology on the production possibility curve.
- e. Suppose that before the new technology is introduced, the nation produces 22 ovens. After the new technology is introduced, the nation produces 30 ovens. What is the effect of this new technology on the production of bread? (Give the number of loaves before and after the change)

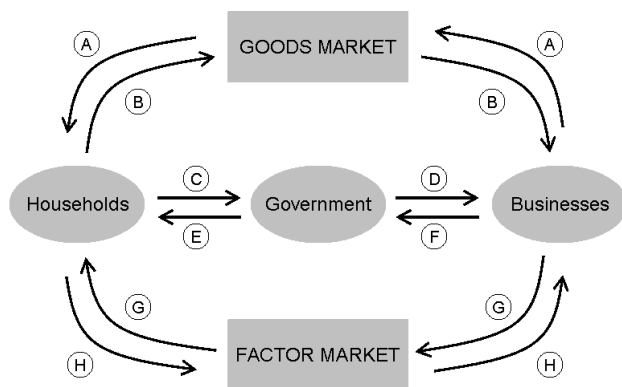
2. Ayşe and Mehmet work in a sandwich shop. The table below shows what they can each do in one hour.

	Mehmet	Ayşe
Bags packed	8	6
Sandwiches made	16	18

According to the above table:

- a. for Mehmet, what is the opportunity cost of packing a bag and making a sandwich?
- b. for Ayşe, what is the opportunity cost of packing a bag and making a sandwich?

3. The diagram below is a representation of a market economy.



- What is the meaning of flow A?
- What is the meaning of flow B?
- Which flow captures the flow of individual income taxes?
- Which flow captures the flow of labor to produce goods?