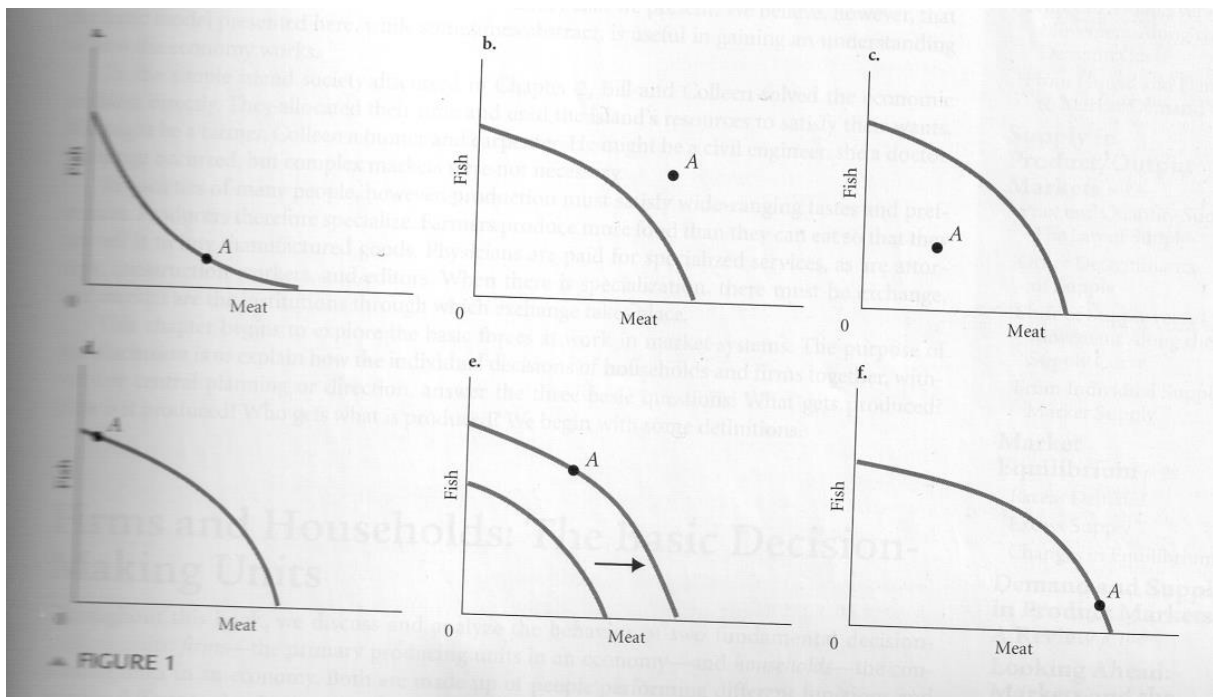


Homework I
(Submission date: Oct., 23 2024)
(Late submissions will not be evaluated)

1. Match each of the diagram in Figure 1 with its description below. Assume that the economy is producing or attempting to produce at point A and most of the members of the society like meat not fish. Some descriptions apply to more than one diagram and some diagrams have more than one description.

- a. Inefficient production of meat and fish.
- b. Productive efficiency.
- c. An inefficient mix of output.
- d. Technological advances in production of meat and fish.
- e. The law of increasing opportunity cost.
- f. An impossible combination of meat and fish.



2. A nation with fixed quantities of resources is able to produce any of the following combination of bread and ovens.

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.

- Using the data in the table, graph the production possibility curve (with ovens on the vertical axis).
- Does the principle of “increasing opportunity cost” hold in this nation? Explain briefly.
- 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.
- Illustrate (on your original graph) the effect of this new technology on the production possibility curve.
- 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)

- 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:

- for Mehmet, what is the opportunity cost of packing a bag and making a sandwich?
- for Ayşe, what is the opportunity cost of packing a bag and making a sandwich?
- If both Mehmet and Ayşe could each make 10 sandwiches in an hour (keeping the number of bags packed in an hour the same as in the table above), how would the answers to (a) and (b) change?