Econ 101 Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Summer 2013

Quiz #1

Please write all answers neatly and legibly.

1. Answer the following set of questions based on the following information. Country A and Country B produce bread and jam and they each have linear production possibility frontiers. If Country A produces only bread it can produce a maximum of 200 loaves per week and if Country A produces only jam it can produce a maximum of 100 jars of jam per week. If Country B produces only bread it can produce a maximum of 400 loaves per week and if Country B produces only jam it can produce a maximum of 120 jars of jam per week.

a. (2 points) Given the above information write an equation for Country A’s production possibility frontier in slope intercept form where bread (B) is measured on the vertical axis and jam (J) is measured on the horizontal axis.

b. (2 points) Given the above information, which country has the comparative advantage in the production of jam? Explain your answer.

c. (2 points) In the space below draw the joint production possibility frontier for Country A and Country B measuring bread on the vertical axis and jam on the horizontal axis. Make sure all intercepts, all “kink” points, and all axis are labeled.

d. (2 points) If these two countries decide to specialize according to comparative advantage and then trade with one another what will be the range of trading prices that 100 loaves of bread will trade between?

**TURN PAGE OVER FOR LAST QUESTION**

e. (2 points) Given the above information, if Country A uses only labor to produce bread and jam and Country A has a total of only 50 hours of labor available each week for bread and jam production, how many hours of labor does it take Country A to produce one loaf of bread?