Homework – Week 1

Name: _____

Production Possibilities Frontier

There are 2 workers in the economy: Jane and John. They can produce 2 goods: mobile apps and cartoon drawings. In one week Jane can develop 2 mobile apps or draw 3 cartoons; while John can develop 1 mobile app or draw 4 cartoons. They work 50 weeks per year.

1) What is Jane's opportunity cost of developing mobile apps? And what is John's opportunity cost of developing mobile apps?

2) Complete the following table with the total number of mobile apps developed in one year and the total number of cartoon drawings (assume there is exactly 52 weeks in a year).

	Mobile Apps	Cartoons
Both Jane and John spend all weeks developing apps		
Both Jane and John spend all weeks drawing cartoons		
Jane spends all weeks developing apps and John spends all weeks drawing cartoons		
Jane spends all weeks drawing cartoons and John spends all weeks developing apps		
Both Jane and John split their time in half between developing apps and drawing cartoons		

3) Draw the production possibilities frontier for this economy.

4) Mark the following allocations on the graph above and classify them as efficient, inefficient, or not attainable.

A) 70 apps and 100 cartoons

B) 100 apps and 300 cartoons

C) 75 apps and 175 cartoons

D) 140 apps and 100 cartoons

E) 100 apps and 200 cartoons

F) 30 apps and 250 cartoons

Positive vs. Normative Statements

Categorize each of these statements as either positive (P) or normative (N).

Statement	Classification (P or N)
Breast cancer is the fifth most common cause of cancer death.	
For women aged 60-69, breast cancer screening reduces cancer mortality.	
Doctors should encourage women aged 60-69 to be screened for breast cancer.	
Lower tax rates encourage more work and more savings.	
Society faces a short-run trade-off between inflation and unemployment.	
The Federal Reserve should reduce the rate of money growth.	
Society ought to require welfare recipients to look for jobs.	