TAYLOR'S VERSION :)

Econ 0100 | Fall 2024 | Demo A

This MiniExam will take 15 minutes with quick break to follow. MiniExams are designed to both test your knowledge and challenge you to apply familiar concepts in new environments. Treat it as if you're trying to show me that you understand the material. Answer clearly and completely.

Academic Conduct Code

The following academic conduct code is designed to protect the integrity of your work. Print your name/initials beside the five academic honesty agreements. I pledge to my fellow students, the university, and the instructor, that:

TW I will complete this MiniExam solely using my own work.

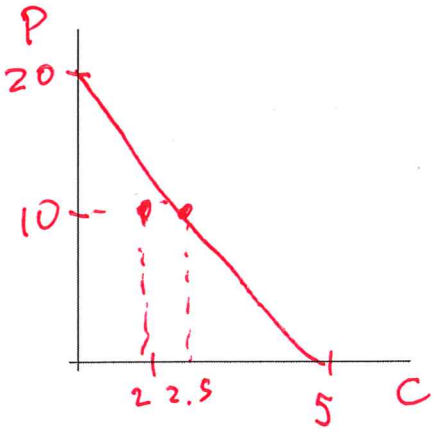
TW I will not use any digital resources unless explicitly allowed by the instructor.

TW I will not communicate directly or indirectly with others during the MiniExam.

Q1 | Colin's PPF

Colin Creevey can bake 20 cornish pasties or 5 cantaloupe cakes in one day. Set up Colin's PPF on an x,y graph with pasties on the vertical and cakes on the horizontal. What is Colin's opportunity cost of producing 1 cake?

Colin's opportunity cost of one cake: 4P



$20P = 5C$

$\frac{20}{5}P = 1C$

$1C = 4P$

Q2 | Efficiency

Suppose Colin bakes 10 pasties and 2 cakes in one day. Is this level of production attainable? Use the graph above or algebra to justify your answer.

Attainable? YES!

Q3 | Absolute and Comparative Advantage

Katie Bell also bakes cornish pasties and cauldron cakes at a neighboring bakery. She can bake 15 pasties or 8 cakes in one day. Set up a production table and an opportunity cost table. Who has the absolute advantage (AA) and in pasties Who has the comparative advantage (CA) in pasties?

AA in Pasties: Colin

CA in Pasties: Colin

	P	C
Colin	20	5
Katie	15	8

$15P = 8C$

$\frac{15}{8}P = 1C$

$1P = \frac{8}{15}C$

	1P	1C
Colin	$\frac{1}{4}C$	4P
Katie	$\frac{8}{15}C$	$\frac{15}{8}P$

$1C = 4P$

$\frac{1}{4}C = 1P$

Q4 | An Improving Trade

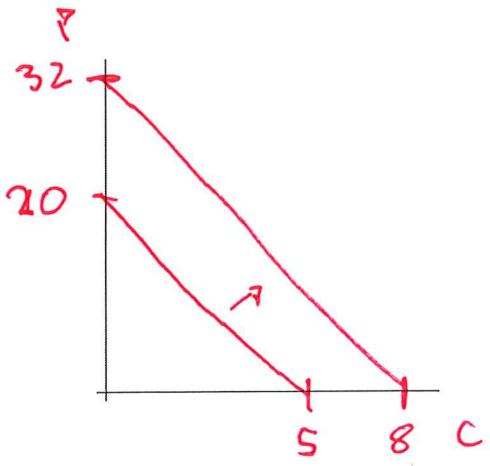
Suppose Colin and Katie realize they can specialize and trade goods. After they specialize, what is a trade that would make them both better off?

1 Cake for 2 Pasties

Q5 | Changing Labor

It turns out Colin wants to add hours to his job. So he increases from 5 to 8 hours per day. Set up Colin's old and new PPF on the same graph. What is Colin's new opportunity cost of cake?

Colin's *new* opportunity cost of one cake: 4P



$32P = 8C$

$4P = 1C$

$\frac{20}{5}\frac{P}{hr} = 4P$ per hour

$4P \cdot 8 = 32P$