

**In-class Exercise: Peanut Butter**

**Learning Objective:** GELO 2: Students will be able to construct and use models to analyze, explain, and predict phenomena.

**Directions:** Work in groups of up to four people and answer the following questions. *When using graphs, you must clearly and correctly label all axis and curves to receive non-zero credit for an answer.* All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work. Every member must agree to these terms to earn a non-zero grade for this assignment.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date



4. (10 points) As a result of the peanut grinding invention, do you think there was a greater increase in production of peanut butter or production of all other goods? Show this effect on your PPF graphs in Question 2, by suggesting and labeling a point on the old PPF where the villages were producing before the invention, and suggest and label a point on the new PPF where you believe the villages were producing after the invention.
5. (10 points) As time progressed after the introduction of the invention, may villages decided to reallocate scarce resources towards technology, capital (electricity, lights in hospitals, etc) and literacy. What distinguishes these goods compared to some of the other goods you may have listed in question 3? Redraw the production possibilities frontier from Question 1 and show what has happened to the PPF as a result of these investments.
6. (10 points) Focus on learning objective (it is on top of the very first page).
- (a) What economic model did you use?
  - (b) What phenomena were you able to describe? Describe.