1. Suppose the country of Happyland is a small country compared to the rest of the world and has the following production possibilities for toys and ice cream when using all resources efficiently:

Toys	0	5	10	15	20
Ice Cream	100	90	70	40	0

(a) (4 points) Graph the production possibilities frontier.

- (b) (4 points) What is the marginal opportunity cost of producing the 10th toy?
- (c) (4 points) What is the marginal opportunity cost of producing the 20th scoop of ice cream?

(d) (4 points) What happens to the opportunity cost of toys as Happyland decides to produce more toys?

(e) (4 points) What happens to the opportunity cost of ice cream as Happyland decides to produce more ice cream?

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(a) (5 points) Draw a production possibilities frontier with constant opportunity costs. What feature of the graph illustrates this?

(b) (5 points) If an economy producing at an efficient point wants to increase its production of food, what must happen to its production of clothing? What feature of the graph illustrates this?

3. (10 points) The federal government currently provides low interest loans and other aid to automobile producers. Suppose the government eliminates these programs. What will happen to the price of automobiles and the quantities sold? Provide appropriate graphs to illustrate your answer.

4.	(10 points) High rains and flooding in Illinois and Iowa in 2009 destroyed farmland suitable for growing pumpkins. What do you think happened to the price of canned pumpkin and the quantities sold? Provide appropriate graphs to illustrate your answer.
5.	(10 points) Suppose consumers expect higher incomes after the upcoming election. Suppose too that automobile producers expect prices to rise in the future. What impact will this have on the current market for domestic automobiles? Provide appropriate graphs to illustrate your answer.
6.	(10 points) Suppose the price of high definition televisions decreases while the quantity sold increases. What might cause this to happen? Provide a real world example and illustrate the impact with appropriate graphs.

7.	(10 points) Suppose the government increases the aid it gives to college students from mid-income to low-income families. Describe and illustrate the impact of this government policy on the price and quantity of college education.
8.	(10 points) Suppose the BP oil spill causes people to decide not to visit the Gulf coast for vacation. Describe and illustrate the impact of the oil spill on the price and quantity of hotel reservations.
9.	(10 points) Suppose there is a worldwide increase in demand for automobiles. Describe and illustrate the impact on the price and quantity of steel.