ECO 120: Macroeconomics In-class Exercise: Peanut Butter	Your Name: (40 points)	
Learning Objective: GELO 2: Studen lyze, explain, and predict phenomena.	ts will be able to construct a	and use models to ana-
<b>Directions:</b> Work in groups of up to fou using graphs, you must clearly and corrected for an answer. All papers will be randomly selected and graded and all me.  By signing below, you agree that the	rectly label all axis and curve collected, but only one members of the group will rece	ves to receive non-zero nember's paper will be eive the same grade.
the group, and you are willing to accept earned from this representation of your terms to earn a non-zero grade for this a	group's work. Every memb	
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

1. (	(10)	points)	) <i>I</i>	Analyze	the	production	possibilities	for	this	country.
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- (a) Graph a production possibilities frontier with two categories of goods. Let one good be peanut butter and all other products that are made by grinding nuts, beans, seeds, etc. Let the other category be "All other goods". Graph the PPF so that it follows the law of increasing opportunity costs.
- (b) What aspect of your graph's shape implies increasing opportunity costs?
- (c) The graph shows numerous possibilities for what Mali villages can produce. Choose and label a *point* on the PPF where you think they are likely producing before the invention is introduced. Hint: Think about what they have a lot of, and what they don't have a lot of.

2. (10 points) Redraw the PPF from Question 1 and on this same graph, show how the PPF may change immediately following the introduction of the invention that allows women to grind peanuts.

3. (10 points) After the introduction of the invention, villages in Mali were able to enjoy more goods than just more peanut butter. Name at least 5 of these goods.

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.