

1. Suppose the following production possibilities frontier represents quantities of manufactured goods and services (the contribution of each to real GDP in billions of dollars) that can be produced in Wisconsin when using all of its resources efficiently.

Manufactured Goods	0	10	20	30	40	50
Services	150	140	120	90	50	0

- (a) (5 points) Graph the production possibilities frontier. Label the portions of the figure that represent efficient levels of production, inefficient levels of production, and impossible levels of production.
- (b) (5 points) Compute the marginal opportunity costs for each positive level of manufactured goods given in the table.
- (c) (5 points) Suppose an economy is not producing efficiently. Is it possible to increase production of manufactured goods without decreasing production of services? Illustrate with the above production possibilities frontier.
- (d) (5 points) Suppose there is an improvement in technology for producing manufactured goods. Illustrate the impact on the production possibilities frontier. Is it possible that production of services could increase as a result? Describe and illustrate.

2. (5 points) Suppose Florida farmers can use their agricultural resources to produce oranges and/or tomatoes. Suppose industry experts expect the price of orange juice to fall in upcoming years. Describe and illustrate the impact on today's market for tomatoes.
  
  
  
  
  
  
  
  
  
  
3. (5 points) Suppose people expect economic growth to pick up which may result in more employment opportunities and higher income in the future. Describe and illustrate the impact on the price and quantity of new houses.
  
  
  
  
  
  
  
  
  
  
4. (5 points) Suppose the price of gasoline decreases and quantity of gasoline consumed in the United States increases. What might cause this to happen? Provide a real world example and illustrate the impact with appropriate graphs.

5. (5 points) In the aftermath of the most recent recession, the federal government provided low interest loans and other aid to automobile producers. Describe and illustrate what should happen to the price of automobiles and the quantities sold as a result of this program.
6. (5 points) Volkswagen has recently been caught cheating on pollution emissions tests, revealing that their diesel automobiles are not as clean and fuel efficient as they suggested. Describe and illustrate the likely impact on the market for Volkswagen diesel vehicles.
7. (5 points) Economic sanctions against Iran may soon be lifted, which would allow Iranian producers to sell their products internationally. Iran happens to be a significant producer of high quality pistachios. Describe and illustrate the impact on the international market for pistachios.



11. Suppose an economy produces only veggie burgers and soy dogs, and the prices and quantities that prevailed for 2008 and 2009 were given by:

	<b>2014</b>		<b>2015</b>	
	<b>Price</b>	<b>Quantity</b>	<b>Price</b>	<b>Quantity</b>
<b>Veggie Burgers</b>	\$1.50	10	\$2.00	15
<b>Soy Dogs</b>	\$2.00	12	\$2.50	18

- (a) (5 points) Define real GDP and nominal GDP, and describe the difference. Which is of more interest in economics and why.

- (b) (5 points) Compute the growth rate of production using 2014 as a base year.

- (c) (5 points) What was the inflation rate from 2014 to 2015?

- (d) (5 points) Suppose you earned \$15 per hour in 2008 and you earned \$20 per hour in 2014. What was the growth rate of your nominal wage? Which year did your wages have greater purchasing power? Explain.