

This is a ten point quiz. Answer all questions neatly and legibly. Although this quiz is not counted in your grade you want to do your best job so that you can get an accurate assessment of your baseline preparation for the class. Show your work.

1. Jason and Donna write books and make rugs. The following information is provided about Jason and Donna's ability to make these two goods. Assume that both Jason and Donna have linear production possibility frontiers in these two goods.

	Number of Hours Needed to Produce One Book	Number of Hours Needed to Produce One Rug
Jason	10 hours	4 hours
Donna	20 hours	6 hours

a. (1 point) Suppose that Jason has 80 hours available to make books and rugs. What is the maximum number of books he can make in this time? _____

b. (1 point) Suppose that Jason has 80 hours available to make books and rugs. If Jason makes 6 books, what is the maximum amount of rugs that he can make given this time constraint?

c. (2 points) In the space below draw two graphs. Label the first graph Jason's PPF and label the second graph Donna's PPF. Draw the PPFs for each of these individuals based upon each of them having 60 hours of time available to make either books or rugs. Label all axis and all intercepts clearly and completely. Measure books (B) on the X-axis and rugs (R) on the Y-axis.

d. (2 points) Given the above information and assuming that both Jason and Donna have 60 hours each to devote to book and rug production:

i) Who has the comparative advantage in book production? _____

ii) Who has the absolute advantage in rug production? _____

e. (2 points) In the space below draw Jason and Donna's joint PPF based upon their each having 60 hours of time they can devote to either book or rug production. Measure rugs (R) on the Y-axis and books (B) on the X-axis. Identify the coordinates of any kink point in your graph as well as the values of both the X and Y intercepts. Make sure your graph is completely and clearly labeled.

f. (2 points) Using the number line approach outlined in during the class lecture, provide a representation of the acceptable trading range for 3 rugs in terms of books. In your representation indicate the perspective of both Jason and Donna. Make sure your diagram is completely and clearly labeled.