

Name:

Fall 2017

Principles of Macroeconomics

Week 1: PPCs and Opportunity Costs

1) Can you list the three important questions that are central to the discussion of economics?

a)

b)

c)

2) What are the four factors of production?

3) There is only a finite amount of time and resources, so we often end up picking one option over the other. When we give up an alternative, this tradeoff is called an _____ cost. In the example below, identify this or these costs.

“John really wants to see the new Transformers movie opening night on Friday, (shocking, I know) but he has to work and close up at the library so he can’t. On any other Friday night, he would probably be out with friends.”

4) The PPC shows a combination of two goods that can be produced using the given resources. Draw a typical PPC with any two goods and comment on the shape of the curve.

- a) Now, imagine the country discovered new resources that are used in the production of one of those goods. What would the new PPC look like?
- b) Redraw the original graph. What if the new resource was used in the production of both goods? What would change?

5) Fill in the following table

Tractors	Fidget spinners	Change
0	100	
1	90	
2	75	
3	55	
4	30	
5	0	

Which "law" does the third column demonstrate?