



Microeconomics Unit 1

Free Response Questions

FRQ #1- The table below shows the maximum possible production of consumer goods OR capital goods for Mexico and Brazil. Assume that these countries use equal quantities of inputs to produce consumer goods and capital goods.

	Mexico	Brazil
Consumer Goods	40	160
Capital Goods	10	80

- Draw a correctly labeled production possibilities curve for Brazil. Place consumer goods on the horizontal axis and capital goods on the vertical axis. Plot the relevant numerical values from the chart on the graph.
- On your graph in part (a), indicate the following.
 - A point that represents an unattainable level of production, labeled A
 - A point that represents an inefficient level of production, labeled B
 - A point that represents an efficient level of production, labeled C
- Assume that Brazil moves from producing 80 units of consumer goods and 40 units of capital goods to producing 40 units of consumer goods and 60 units of capital goods. What will happen to economic growth in Brazil in the future? Explain.
- Which country has the comparative advantage in the production of consumer goods? Explain.
- Identify a specific number of units of consumer goods that could be traded for 10 units of capital goods and be mutually beneficial for both countries.

FRQ #2- The following table shows Jeffrey's total benefit from consuming cans of soda and slices of pizza. Assume the price of a can of soda is \$1 and the price of a slice of pizza is \$2.

Cans of Soda	Total Benefit of Soda (in utils)
1	12
2	22
3	30
4	36
5	40
6	42

Slices of Pizza	Total Benefit of Pizza (in utils)
1	28
2	52
3	72
4	88
5	100
6	108

- What is Jeffrey's marginal benefit from the 4th slice of pizza? Show your work.
- What is Jeffrey's total benefit from consuming 2 cans of soda and 1 slice of pizza? Show your work.
- Complete each of the following assuming that Jeffrey spends his entire budget of \$8 on soda and pizza.
 - Use marginal analysis to explain why Jeffrey does not maximize his benefit when he consumes 4 slices of pizza.
 - What are the optimal quantities of cans of soda and slices of pizza for Jeffrey?
 - At the optimal quantity identified in part (c)(ii), is the marginal benefit of the last can of soda consumed greater than, less than, or equal to the marginal benefit of the last slice of pizza consumed?
- Assume instead that the price of a slice of pizza is \$4 and that Jeffrey has a budget of \$12. What are the optimal quantities of cans of soda and slices of pizza if Jeffrey spends his entire budget?