



University of Phoenix

Online
ECO/372

Exercise 1:

Use the following production possibility tables for war goods and civilian goods.

Type of Production	Production Alternatives				
	A	B	C	D	E
Automobiles	0	2	4	6	8
Missiles	30	22	18	10	0

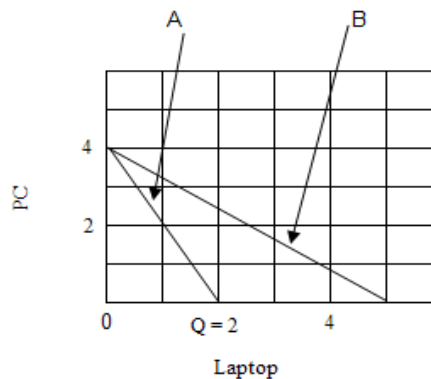
If the economy is at the point C, what is the cost of one more automobile? What is the cost of one more missile?

Exercise 2:

Assume the United States can produce Toyotas at the cost of \$18,000 per car and Chevrolets at \$16,000 per car. In Japan, the cost of producing Toyotas 1,000,000 yen, and the cost of producing Chevrolets at 500,000 yen. In terms of Chevrolets, what is the opportunity cost of producing Toyotas in each country?

Exercise 3:

The following graph shows the production possibilities of company A and Company B. In order to maximize production how many PC and Laptop should they produce?



Exercise 4:

Suppose the Banks are required to keep 11 percent in reserve and the ratio of individuals' currency holdings to their deposits is 21 percent. What is the money multiplier in this case?

Exercise 5:

Suppose the in case of question 3, that banks suddenly get concerned about the safety of their loans, and they decide to keep 2% excess reserves — reserves held by banks in excess of what banks are required to hold. What will be the money multiplier in this case?