***7. Plot the PPC of a nation given by the following data.***

**Combination Health Care All Other Goods**

A 0 100

B 25 90

C 50 70

D 75 40

E 100 0

1. Calculate the marginal opportunity cost of each combination.
2. What is the opportunity cost of combination C?
3. Suppose a second nation has the following data. Plot the PPC, and then determine which nation has the comparative advantage in which activity. Show whether the two nations can gain from specialization and trade.

**Combination Health Care All Other Goods**

A 0 50

B 20 40

C 40 25

D 60 5

E 65 0

Chapter 3

Questions 1, 3, & 4

1. ***Illustrate each of the following events using a demand and supply diagram for bananas.***
2. ***Reports surface that imported bananas are infected with a deadly virus.***
3. ***Consumers’ incomes drop.***
4. ***The price of bananas rises.***
5. ***The price of oranges falls.***
6. ***Consumers expect the price of bananas to decrease in the future.***
7. ***Using the following schedule, define the equilibrium price and quantity. Describe the situation at a price of $10. What will occur? Describe the situation at a price of $2. What will occur?***

**Price Quantity Demanded Quantity Supplied**

$1 500 100

$2 400 120

$3 350 150

$4 320 200

$5 300 300

$6 275 410

$7 260 500

$8 230 650

$9 200 800

$10 150 975

1. Suppose the government imposed a minimum price of $7 in the schedule of exercise 3. What would occur?