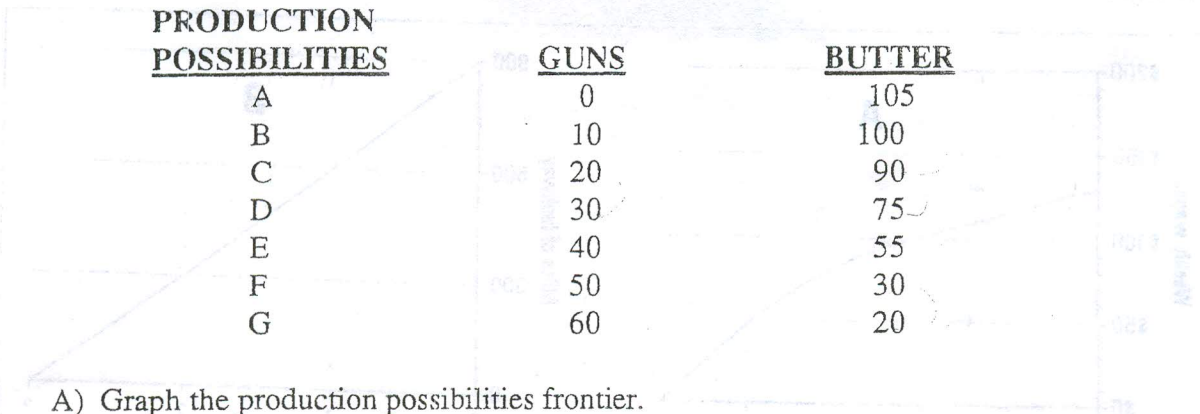


PRODUCTION-POSSIBILITIES FRONTIER PRACTICE

The following data give the production possibilities of an economy that produces two types of goods, guns (horizontal axis) and butter (vertical axis).



- A) Graph the production possibilities frontier.
- B) Explain why Point D is efficient while Point H (30 guns and 45 units of butter) is not.
- C) Calculate the per-unit opportunity cost of an increase in the production of guns in each of the following cases.
 - i. From Point A to Point B?
 - ii. From Point B to Point C?
 - iii. From Point E to Point F?
 - iv. From Point F to Point G?
- D) Calculate the per-unit opportunity cost of an increase in the production of butter in each of the following cases.
 - i. From Point G to Point F?
 - ii. From Point D to Point C?
 - iii. From Point C to Point B?
 - iv. From Point B to Point A?
- E) Using the production possibility frontier concept, explain what will happen if this nation declares war on one of its neighbors.