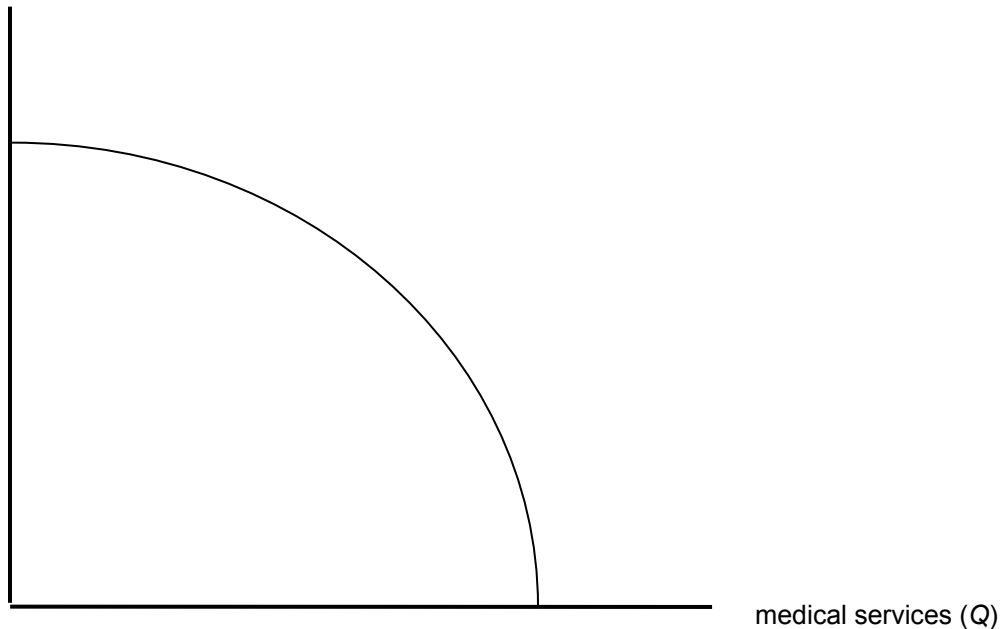


Chapter 1, Problem 1

all other goods (Z)



- A. A movement down along the curve involves a tradeoff between all other goods and medical services. Specifically, the production of medical services is rising, while the production of all other goods is falling.
- B. A movement from the interior of the curve to a point northeasterly on the curve involves an increase in the production of both medical services and all other goods. The economy would be moving from an inefficient point (inside the PPC) to an efficient point (on the PPC).
- C. An increase in the quantity of labor will shift the PPC out. The economy will be able to produce more medical services and more of all other goods as well.
- D. A technological discovery that increases the production of Z will rotate the PPC in a clockwise fashion. The vertical intercept will rise, but the horizontal intercept will remain the same.