

6. Refer to the table below:

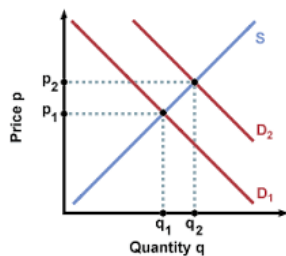
15 pts

	Brooms Produced	Textbooks Published
Harry	15 using 3 productive units	18 using 2 productive units
Potter	5 using 3 productive units	12 using 2 productive units

Who should specialize in what? Discuss comparative and absolute advantage. Show the numbers. How many brooms are produced after specialization? How many textbooks are published after specialization? Is it worth it to specialize? Why?

8. Show the affect of each of the following situations. Draw a graph for each letter. Numbers are not necessary with these graphs. **However, each graph should have demand curve, a supply curve and a new point of equilibrium when, and IF one of the curves shifts. Show how the curve shifts with an arrow pointing to either the new supply curve or the new demand curve or a D_1 to D_2 or S_1 to S_2 .**

Example: Wool sweaters become more popular with college students.



8. pts for each

- There is an increase in the population in this market.
- Consumer incomes goes down.
- The price of cotton undershirts a complement to sweaters goes down .
- A study shows wool sweaters causes eczema
- The cost of wool yarn has decreased significantly.
- Wool sweater retail stores mis-read the market and raise price 20 %.
- Someone invented a new faster spinning wheel to make more sweaters per hour.
- The weather is warming and the need for sweaters declines.