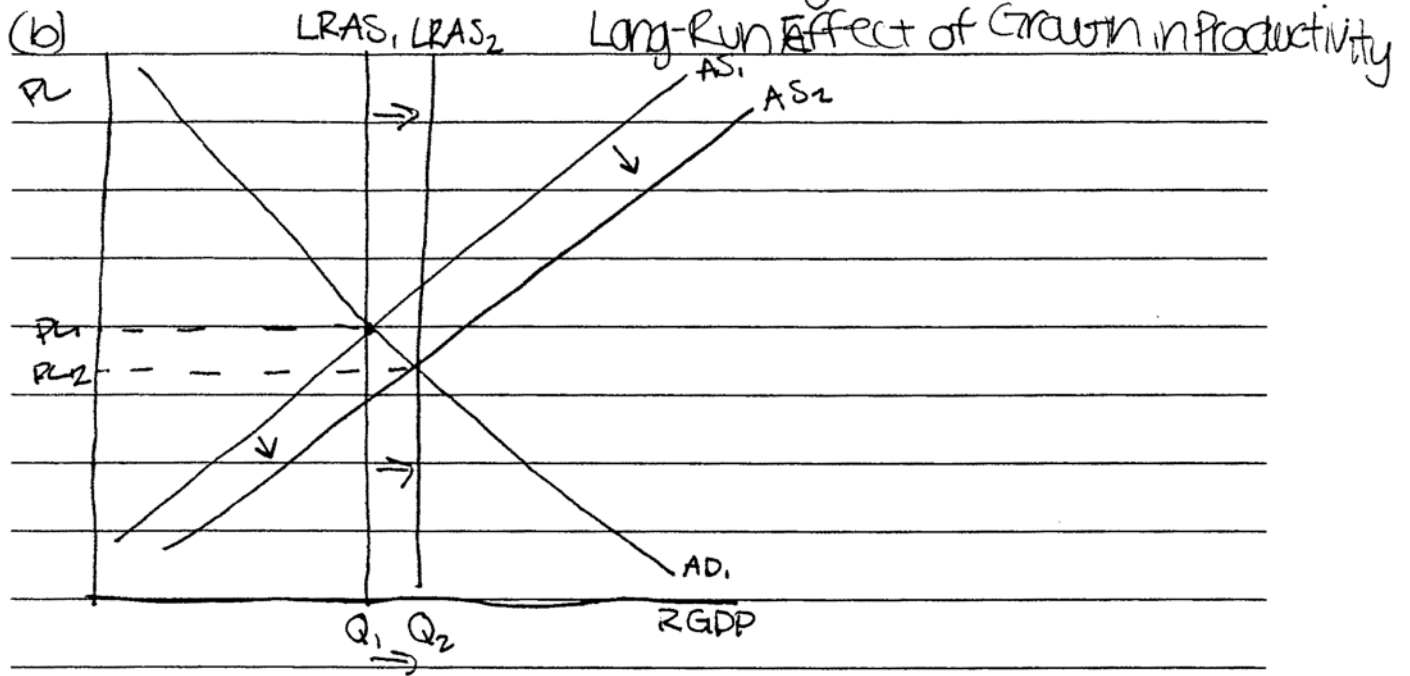


Write in the box the number of the question you are answering on this page as it is designated in the examination.

2

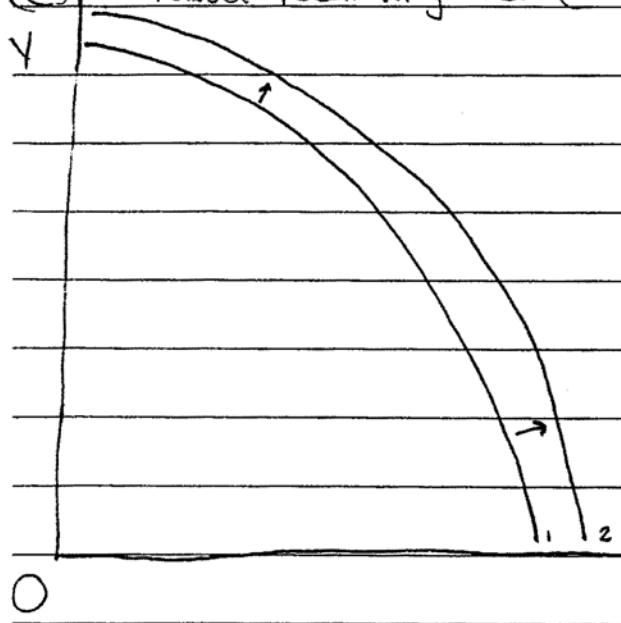
2A

2. (a) Technological improvements and increased skills and training among the work force would be two sources that would increase labor productivity



- (i) Real output would increase from Q_1 to Q_2
- (ii) Price level would decrease from PL_1 to PL_2 .

(c) Product Possibility Curve



Because of the increase in worker productivity there is also an increase in the product possibilities curve. Because the workers are more productive they are able to produce more in a smaller amount of time thus the shift outward.