1. Try to write down the definition of Pareto Efficiency without looking at your notes. Then check your notes to see if they are the same.

2. Jack's wage is $12/hour. What is the price of one hour of leisure for Jack? Why?

3. Adam can make 3 cakes or 6 pizzas a day. Brian can make 6 cakes or 3 pizzas a day. Assume currently each of them produces 2 cakes and 2 pizzas a day, and they don't trade.
   a. Draw Adam's PPF and Brian's PPF (assume they are straight lines.). Show the points of the combination of their current productions.
   b. Who has the absolute advantage in making cakes, and pizzas?
   c. Who has the comparative advantage in making cakes, and pizzas? Why (you need to calculate their opportunity costs.)? If the division of labor is introduced, who should specialize in making cakes, and pizzas?
   d. Show that a trade can make both of them better off. (If you have difficulty answering this, do e) first, then come back and try this again.
   e. Draw their joint PPF. Show the point of the combination of their current joint productions. Is this point efficient? Why? If your answer is no, you need to show that there exists a Pareto improvement using both Math and graph. (The Pareto improvement here actually consists of a reallocation of productions and a trade.)
   f. Now suppose Mike makes 5 cakes or 5 pizzas a day. Draw the joint PPF of them three.