

QUESTION 25 (10%)

Consider the following two production functions:

$$Q_1 = 0.5L_1^{0.5}K_1^{0.5}$$
$$Q_2 = 0.5L_2^{0.5}K_2^{0.5}$$

where L_1 and L_2 are the quantities of labor used in the production of goods 1 and 2, respectively, and K_1 and K_2 are the quantities of capital used in the production of goods 1 and 2, respectively.

