Basic micro-economics Assignment

Questions

1. **Opportunity cost:** when resources are used to produce a certain good, they are not available to produce other goods.
   1. **Example** : Education Vs work

Decision: Palesa decides to pursue a masters degree instead of working full-time.

Opportunity cost: Palesa could have earned if she had worked full-time.

1. The **production Possibility curve** is a graphical representation of the various combinations of two goods or services that can be produced in an economy, given the available resources and technology.
   1. Scarcity: The point outside the curve (unattainable)
   2. Choice: Illustrated by the combinations along the curve (A-F)
   3. Opportunity cost: Illustrated by a negative slope of the curve (more of one good can be obtained by sacrificing the other by trade off)
   4. Point H in the graph indicates inefficiency but obtainable.
2. **Mico-economics:** Is the study of the choices that individuals and businesses make regarding the allocation of resources.
   1. **Welfare economics:** The study of how economic policies affect social welfare.
   2. **Market failure:** Situations where markets do not allocate resources efficiently, such as externalities and public goods.
   3. Marco**-economics:** The study of the economy as a whole, and also the study of the performance of national and global economy that was influenced by the choices of the individuals, businesses within that specific economy.
      1. **Unemployment:** High rate of unemployed undergraduates in south Africa due to the lack of job experience.
      2. **International trade:** The relationship with the united states of America has had a negative impact on the south African economy because of the AIDS/HIV funds.
3. **Economics** is classified as a social science because it studies how individuals, business, government and societies make decisions about how to allocate resources.
4. **Opportunity Cost (Eskom problem)**
   1. The government must declare how to allocate its limited budget to address the energy crisis regarding the use o investing in new coal-fired power plants or investing in renewable energy.
      1. If the government invests in new-coal fired power plants, the opportunity cost would be the creation of new jobs in the renewable energy sector and reduced greenhouse gas emissions.
      2. If the government decides to invest in renewable energy sources then the opportunity cost would be job creation in the coal mining and power generation sectors.
5. Scenario: Friday night plans: its Friday evening and I have R100 to spend on entertainment. I’m considering two options.
   1. Going to the movies: Tickets cost R65 and I’ve to spend another R25 on snacks
   2. Playing laser tag with friends: The game costs R55 and R35 on food and drinks
      1. **Scarcity:** Limited money to spend on entertainment (R100) therefore I cannot afford to exceed my budget.
      2. **Choice:** Because of the limited budget I must do a trade off between the two options.
      3. **Opportunity cost:** The opportunity cost of choosing one option over the other is the benefit of I give up by not choosing the alternative.
6. I partially agree with the statement because China is highly know for being a step ahead in **Industrialization** and **Infrastructure development** and this can make China the richest country in the world.
   1. **Industrialization:** China has become the world’s largest production in industries like electronics and machinery.
   2. **Industrialization development:** China has invested heavily in infrastructure, including roads, railways, airports and seaports, which has facilitated trade and economic growth.
7. **Ceteris paribus** The law of demand states that the higher the price of a product, the lower will be the quantity demanded.