

ECO 201A
Problem Set 1

1. Classify the following factors of production:
bonds, manager, raw material, office building, CEO
2. Name the factor prices of the following factors:
debt capital, proprietor, machine, technology, author, share capital, office building.
3. Explain whether the following statements are true or false.
 - (a) Fast food chains are coming up all over the country. Does it mean that there is a national market for these products?
 - (b) Some consumers prefer coke and some prefer pepsi. Does it mean there is no single market for colas?
4. Differentiate between microeconomic and macroeconomic issues:
highway toll, inflation, taxes, infrastructure, per capita income.
5. The following table shows the various combinations of two goods X and Y that a hypothetical economy can produce using its entire 100 units of resources.

No. of Units of Resources	Output of X	Output of Y
0	0	0
10	40	5
20	95	12
30	200	20
40	300	28
50	390	36
60	450	43
70	500	49
80	548	55
90	580	58
100	600	60

- (a) If 40 units of X are produced, how much Y does the economy produce?
 - (b) What is the opportunity cost of X if 20 units of resources are devoted to its production? Currently only 10 units of resources are used in X production.
 - (c) Will it be possible for the economy to produce 500 units of X and 50 units of Y?
6. Classify the following into private good and public good:
zoo, kitchen garden, car, defense services, railway services, health services.
7. Cite examples of economic activities pursuing a set of goals which may obstruct achieving other goals in society, economic or non-economic.