## Critical Thinking Questions

19.

Suppose Alphonso’s town raises the price of bus tickets from $0.50 to $1 and the price of burgers rises from $2 to $4. Why is the opportunity cost of bus tickets unchanged? Suppose Alphonso’s weekly spending money increases from $10 to $20. How is his budget constraint affected from all three changes? Explain.

20.

During the Second World War, Germany’s factories were decimated. It also suffered many human casualties, both soldiers and civilians. How did the war affect Germany’s production possibilities curve?

21.

It is clear that productive inefficiency is a waste since resources are used in a way that produces less goods and services than a nation is capable of. Why is allocative inefficiency also wasteful?

22.

What assumptions about the economy must be true for the invisible hand to work? To what extent are those assumptions valid in the real world?

23.

Do economists have any particular expertise at making normative arguments? In other words, they have expertise at making positive statements (i.e., what *will* happen) about some economic policy, for example, but do they have special expertise to judge whether or not the policy *should* be undertaken?