ECON 103   Name Sam

Chapter 1 Assignment

1. A resource is:

    a. anything that can be used in production.

    b. anything that you pay for.

    c. anything that is in scarce supply.

    d. all of the above.

2. The best measure of the opportunity cost of any choice is:

    a. the monetary cost of that choice. 金融价值

    b. whatever you have given up to make that choice, even if no monetary costs are involved.

    c. the cost associated with not taking full advantage of the opportunity offered by that choice.

    d. none of the above.

3. Marginal analysis studies how individuals decide:

    a. whether to live on the margin of society. ?

    b. to do a bit more activity versus a bit less activity. 多…对比

    c. to analyse marginal businesses.

    d. none of the above.

4. Specialization and trade should lead to all of the following EXCEPT:

    a. individuals learning specific skills and earning a salary.

    b. a decrease in total economic output.

    c. higher living standards.

    d. the exchange of goods and services in markets.

5. The term "gains from trade" refers to

    a. the profits obtained from sales of a good or service.

    b. the increase in total output that is realized when individuals specialize in particular tasks and trade with each other.

    c. the gains that one obtains by taking advantage of an uninformed buyer and selling

at a higher than average price.

d. the gains that one obtains by taking advantage of a temporary discount or "sale" price.

6. Market failure occurs when:

a. prices of essential goods such as gas become very high.

b. individual actions have side effects that are not properly taken into account.

c. mutually beneficial trades take place.

d. all of the above occurs.

7. Which of the following statements is true?

a. The concept of equilibrium requires that all individuals have an equal amount of income.

b. If equilibrium in a market exists, then the price in that market will not fluctuate by more than 5%.

c. If equilibrium in a market exists, then there will be no remaining opportunities for

d. individuals to make themselves better off.

e. Equilibrium in a market will exist when the number of buyers is equal to the number of sellers.

8. Economists tend to believe that to change people's behavior:

a. you must appeal to their concern for society.

b. you must change their incentives.

c. you must legislate the change.

d. none of the above can be done to change people's behavior.

9. Your neighbor is mowing her yard one afternoon when she stops to have some lemonade. She drinks one glass and is considering having a second glass. This is an example of:

a. marginal analysis.

b. benefit analysis.

c. cost analysis.

d. equilibrium analysis.

10. The term market failure refers to
   a. a situation in which the market on its own fails to allocate resources efficiently.
   b. an unsuccessful advertising campaign which reduces buyer demand.
   c. a situation in which competition among firms becomes ruthless.
   d. a firm which is forced out of business because of losses.

11. Economics deals primarily with the concept of
   a. scarcity.
   b. poverty.
   c. change.
   d. power.

12. A good is considered scarce in a society when
    a. more output of the good is possible.
    b. everyone in that society cannot have all they want of the good.
    c. the government restricts production of the good.
    d. only the richest people in the economy can buy all they want of the good.
13. Daniel decides to spend the last two hours of the night before his economics exam studying instead of sleeping. For Daniel, his tradeoff would be
    a. nothing, since no dollar value can be put on sleep.
    b. nothing, since studying would be more beneficial than sleep.
    c. the six hours of sleep he could have had if he had gone to bed before midnight.
    d. the two hours of rest he would have gotten.
14. Efficiency means that
    a. society is conserving resources in order to save them for the future.
    b. society's goods and services are distributed fairly among society's members.
    c. society has lessened its dependence on foreign energy sources.
    d. society is getting the most it can from its scarce resources.
15. Trade can benefit a family
    a. by allowing the family to buy a greater variety of goods and services at a lower cost.
    b. by allowing each person to specialize in the activities he or she does best.
    c. only if the family is not in economic competition with other families.
    d. All of the above are correct.
    e. Both a and b are correct.
16. One advantage market economies have over command economies is that market economies
    a. provide an equal distribution of goods and services to consumers.
    b. establish government economic control.
    c. solve the problem of scarcity.
    d. are more efficient.

17. When a local factory closes, why does it spell bad news for the local restaurants?

    a. Sales taxes are likely to increase.

    b. Unemployed factory workers have lower incomes and are less likely to dine out.

    c. Unemployed factory workers are eligible for government unemployment benefits.

    d. The opportunity cost of dining out has fallen.

18. Which of the following demonstrates one of the three principles of economy-wide

    a. interactions?

    b. A student chooses to rent a movie with friends rather than study for an economics quiz.

    c. Your roommate offers to pay for the movie tickets if you drive to the theatre.

    d. A city builds a new public park on the grounds of an abandoned warehouse.

    e. Fearing a recession, Parliament approved a House of Commons proposal to send tax rebates to 2007 taxpayers.

19. During the Great Depression, consumers and producers in Canada dramatically

reduced their spending as compared to the quantity of goods and services available at the time. This statement best represents this economic concept:

    a. Resources are scarce.

    b. When markets don't achieve efficiency, government intervention can improve society's welfare.

    c. Overall spending sometimes gets out of line with the economy's productive capacity.

    d. Government policies can change spending.

20. When people want more goods and services than are available, the economy undergoes inflation. This statement best represents this economic concept:

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21. Which of the principles from chapter 1 explains the following situations?

		Principle #
a)	Ken had to miss class in order to pick up his mother from the airport	2
b)	Claire was trying to decide whether she wanted to eat 2 or 3 slices of pizza.	3
c)	Mr and Mrs Smith decided to hire a babysitter for their children and then went out for dinner at a restaurant. The next day both the baby sitter and the restaurant owner went shopping with the extra cash they had earned.	10
d)	Steve is selling slices of pizza for $5 each, but next door Beth is selling slices for $4 each. Steve is not getting as many customers as Beth, so he decides to lower his price to $4.	4 6

e)	Steve would really like to make more pizza but he does not have enough workers.	11 2
f)	Canada enters a recession and the Prime Minister decides to help the economy by building new infrastructure, such as a new sky train route in Vancouver.	12
g)	Economic recovery in the U.S. has resulted in rising inflation.	11
h)	Mike decided to start recycling his empty drink containers after he learned that he could get money for them.	4
i)	Overfishing has resulted in a decline in the cod population on the east coast of Canada, so the government has put restrictions on the number of cod each person can catch.	9

22. What is the difference in incentives between a market economy and a command economy?

Market economy: benefit pushes economy

Command economy: less incentive to push economy

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23. What is the difference between a *nominal cost* and a *real cost*?   Real cost ≥ Nominal cost

A real cost is what you give up
The nominal cost is how much money you must pay.
Real cost: The drink for $1 + the time I buy it
Nominal cost: $1 for the drink.

24. Do the following situations describe an equilibrium (answer Yes or No)? Explain why or why not.

    a. Vehicles are travelling over a bridge that only has one lane in each direction. Because there are many vehicles, everyone is driving very slow. At the end of the bridge the road widens so there are two lanes in each direction. The left lane has only a few cars and they are driving much faster than the right lane, which still contains many cars. X

b. The Army and Navy store is having their annual shoe sale, where name brand shoes can be purchased for as much as 50% off, but there are long line ups and it can take consumers as much as an hour just to get into the store. Across the street is Sears, where shoes are on sale for only 20% off but because there are fewer consumers no one has to wait at all to get into the store.

Consider the opportunity cost of people time to be equal to the difference of sale price.

c. During the summer blueberries are available for $4 per kg at stores, or consumers can go to blueberry farms and pick blueberries for themselves and only pay $2 per kg.

The opportunity cost of people go to farms

d. Future Shop is having a store anniversary sale in which they are offering the first 100 customers a free IPhone. You arrive only a minute after the store opens but all the IPhones have already been given away.

*The opportunity cost of people's time to line up.*

25. Explain why there would be *market failure* in the market for cigarettes.

Smoking is bad for health, not only for smokers but also for smokers around them, the cost for hospital will increase; some people throw cigarettes away everywhere, this will increase the cost for cleaning

Graphing Exercise

The form of a linear equation (an equation that forms a straight line) is $y = \beta + mx$, where y is the vertical variable, x is the horizontal variable, β is the vertical intercept and m is the slope of the line.

$m = \dfrac{\Delta Y}{\Delta X} = \text{slope}$

If m is positive the line will slope up.
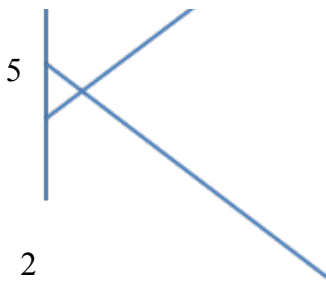If m is negative the line will slope down.
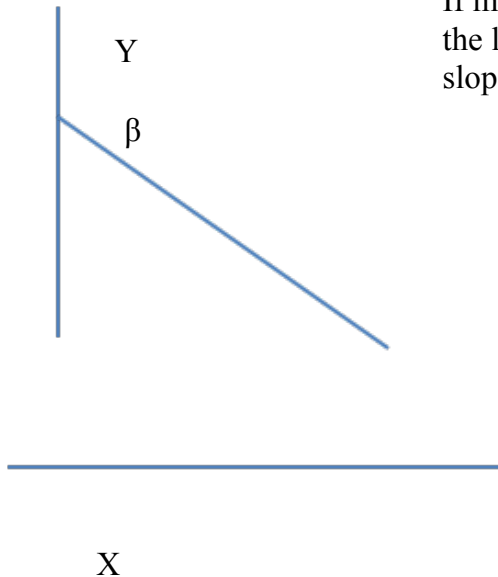
$\alpha = \dfrac{\beta}{m}$

The slope of a straight line is *constant*.

If there are two lines that cross you can use the equations to solve for the equilibrium.

<u>Example</u>: $y = 2 + x$ and $y = 5 - x$

Solve for the equilibrium:

5

2

If $y = y$
Then $2 + x = 5 - x$
Or $2x = 3$
Or $x = 1.5$

Then $y = 2 + 1.5 = 3.5$
Or $y = 5 - 1.5 = 3.5$
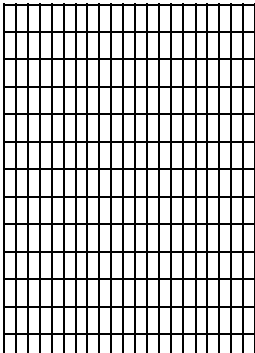
The equilibrium is (1.5, 3.5) 5   X
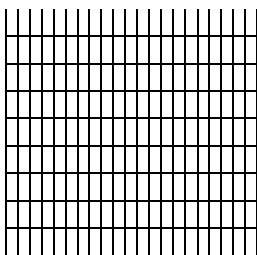
Consider the equation of $x = 16 - 0.8y$.
   a. First *invert* the equation so that y is written as a
      function of x (or solve for y).

         y = _____

   b. Graph, placing x on the horizontal axis.

a) What is the intercept of the horizontal axis? _____
b) What is the intercept of the vertical axis? _____
c) What is the slope of the graph? _____
d) Is the slope constant, increasing, or decreasing as values of y change? _____
e) What is the value of x when y = 12? _____
f) What is the value of y when x = 8? _____
g) Consider the second equation of x = 10 + 0.5y. Solve for x and y using both equations. Leave 2 decimal places in your answers.

x = _____   y = _____