

Introduction: Problems

1. Which of the following are examples of macroeconomics, and which are examples of microeconomics:
 - a. Bates is a single firm. The study of its choices is microeconomics.
 - b. The study of a single firm's choices is microeconomics.
 - c. Although not an entire economic system, the manufacturing sector is very large. This is something of a gray area but would typically be thought of as macroeconomics.
 - d. Here, a Central bank is attempting to affect aggregate variables. This is clearly macroeconomics.
2. False. Although average incomes have risen, there are still limited amounts of resources and time. Households and firms must still make choices in the presence of scarcity. This is unlikely to ever change.
3. False. The distinction between microeconomics and macroeconomics centers over the types of questions the two fields ask. The distinction between theory and empirical work centers on how such questions are addressed, the distinction is methodological. Both microeconomics and macroeconomics use both theory and empirical work.
4. You all surely face different tradeoffs. For most of you, the benefit of doing these problems is that you are likely to learn the material better and will do better in the class. By doing these problems, however you are forgoing (opportunity cost again) the chance to engage in some type of leisure activity which provides you utility. o the tradeoff is the better performance in the class weighted against the fun of watching TV, partying, sleeping, etc.
5. The marginal utility is the additional utility that I get from each unit. It is 10 for the first hour and 8 for the second. The average is the total utility divided by the number of hours. It is nine.
6. By eliminating exams, the incentive to study may be reduced. Students may thus learn less even though there is more class time spent on the material.