

Introduction: Problems

1. Which of the following are examples of macroeconomics, and which are examples of microeconomics:
 - a. This is microeconomics. It considers the pricing behavior of a specific firm.
 - b. Microeconomics. See 1a.
 - c. The manufacturing sector is a sizable part of most economies. It is large enough for this to fall under macroeconomics.
 - d. Macroeconomics.
2. No. Although average wealth is much higher than in the past, most goods and services, and time remain scarce.
3. False. The distinction between theory and empirical work is methodological. Both of these approaches are used in both microeconomics and macroeconomics.
4. I expect that most students decided that the benefits of doing these problems (better course performance) outweighed the opportunity cost of sleeping, leisure, etc.
5. The marginal and average utility of the first hour are 10 units. The marginal utility of the second hour is eight units. After 2 hours, the average utility is nine units.
6. Many people would argue that without grades, students might be incentivized to not work as hard. Students would not learn as much and might end up to take low impact employment like becoming an Economics professor.