

Introduction: Problems

1. Which of the following are examples of macroeconomics, and which are examples of microeconomics:
 - a. What level of tuition should Bates College charge?
 - b. How should a firm respond to an increase in the wage rate?
 - c. How does the manufacturing sector respond to changing labor market conditions?
 - d. How should the Federal Reserve respond to wage inflation?
2. True or False? Because households, on average, are much wealthier today than hundreds of years ago, scarcity is no longer an issue that we should care about.
3. True or False? Empirical methods are only used in microeconomics while theoretical methods are only used in macroeconomics.
4. What tradeoff was most crucial to your choice to do these practice problems instead of something else?
5. Suppose that I watch one hour of TV and obtain 10 units of utility. Then, after 2 hours of watching TV, I have obtained a total utility of 18 units. What is the marginal utility of the second hour of watching TV? What is the average utility per hour of watching TV?
6. I propose the following: “Students don’t like taking exams and doing homework assignments, professors hate grading them, and they take up valuable class time that could be used for something else. Therefore students will learn more if we get rid of them.” Thinking about incentives, why would many people disagree with this argument.

From the textbook:

7. Consider two statements: i) we should raise income tax rate, and ii) a 1% increase in income tax rates raises unemployment by 0.5% one year later. Which statement is normative and which is positive?
8. Provide an example of a contemporary command economy and a contemporary market economy. Provide an example of an economy that transitioned between the two.
9. Suppose that you pay to attend a Phil Collins concert. After 30 minutes, the horribleness of the music make your ears bleed. How does the price of the ticket impact your decision whether to stay for the rest of the concert?