



## CHAPTER ONE HOMEWORK # 1

1-.Below are six statements. Indicate whether each one pertains to microeconomics (MIC) or macroeconomics (MAC).

- (a) "The inflation rate in the United States hit its lowest level in the last twenty years."
- (b) "The profits of Microsoft rose 20 percent during the past quarter."
- (c) "Rains from El Nino again hit the California region causing severe flooding in farms. The prices for citrus and produce are expected to rise sharply."
- (d) "The nation's economy grew at an annual rate of 3.7 percent in the final quarter of the year."
- (e) "The trade deficit in the United States was \$20 billion last month."
- (f) "General Motors plans to spend \$800 million on a new automobile plant."

2-.Below are six statements. Identify whether each is a positive or normative statement.

- (a) The national economy grew at a 6.2 percentage rate in the last quarter as the economy continues to recover from the past recession.
- (b) The unemployment rate fell to 5.7 percent this month, and is expected to fall to 5.5 percent next month.
- (c) The rate of inflation should be reduced to zero to maintain the value of the U.S. dollar.
- (d) The government should take action to reduce the prices of prescription drugs charged by drug companies.
- (e) Interest rates for home mortgages are at their lowest rate in thirty years.
- (f) The Federal government should increase income taxes on the wealthy to reduce the budget deficit.

3-.The production possibilities curve below show the hypothetical relationship between the production of food and clothing in an economy.

Combination	Food	Clothing
A	0	4
B	7	3
C	13	2
D	18	1
E	22	0

- (a) What is the opportunity cost of producing the second unit of clothing?
- (b) What is the total opportunity cost of producing the second unit of clothing?
- (c) What is the opportunity cost of producing the third unit of clothing?
- (d) What is the total opportunity cost of producing the third unit of clothing?

4-.Explain how each event affects production possibilities.

- (a) The population becomes more educated over time as the number of high school dropouts falls and the number of college graduates rises.
- (b) The unemployment rate declines from 7.3 to 4.5 percent of the labor force.



- (c) Businesses and government are unable to solve a major computer problem, thus reducing economic efficiency and national output.
- (d) Advances in telecommunications and new technology significantly contribute to economic growth over time.
- (e) The Congress and the President decide to allocate more resources to national defense.
- (f) A nation participates in increased international trade with other nations of the world.



CHAPTER 3 HOMEWORK #2

1- The demand schedules of three individuals (Tom, Dick, and Harry) are shown. If they are the only three buyers of DVDs, complete the market demand schedule for DVDs. Graphically, is the market demand for a product the horizontal or vertical sum of the individual demand schedules?

Price	Quantity demanded, DVDs			Total
	Tom	Dick	Harry	
\$15.00	1	4	0	5
13.00	3	5	1	9
11.00	6	6	5	17
9.00	10	7	10	27
7.00	15	8	16	39

(Horizontal Sum) ↙  
 ↑  
 Market demand for a product

2- Answer the next question(s) on the basis of the given supply and demand data for wheat:

Bushels Demanded Per Month	Price Per Bushel	Bushels Supplied Per Month
45	\$5	77
50	4	73
56	3	68
61	2	61
67	1	57

- Refer to the above data. Equilibrium price will be \$2
- Refer to the above data. Equilibrium quantity will be 61
- Refer to the above data. If the price in this market was \$4, it would be excess supply or demand and how much.  $Q_s > Q_D$ ,  $73 - 50 = 23$ , Surplus
- Give an example of price floor and an example of price ceiling. price ceiling = \$1, price floor = \$3
- Suppose supply has increased 10 units at each price
  - Equilibrium price will be \$1
  - Equilibrium quantity will be 67

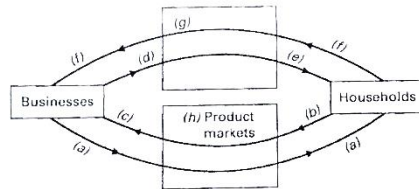
3- In the space below each of the following, indicate the effect [increase (+), decrease (-)] on equilibrium price (P) and equilibrium quantity (Q) of each of these changes in demand and/or supply.

	P	Q
(a) Increase in demand, supply constant	+	+
(b) Increase in supply, demand constant	-	+
(c) Decrease in demand, supply constant	-	-
(d) Decrease in supply, demand constant	+	-



1. List nine characteristics of the market system.

2. In the below circular flow diagram, the household and business sectors are labeled with arrows representing the flows of income and output labeled (a) through (f) and the two appropriate markets labeled (g) and (h). Supply the correct descriptive titles for each of these labels (a) through (h).



\* Answer Q(1) :-

- 1] Private Property.
- 2] Freedom of Enterprise and choice.
- 3] Self-Interest.
- 4] Competition.
- 5] Market and prices: *مع قوى الطلب وقوى العرض تتحدد الأسعار وتحدد الكميات*
- 6] Technology and Capital Goods: important to least efficient.
- 7] Specialization.
- 8] Use of Money.
- 9] ~~Active~~ but limited government.

\* Answer Q(2) :-

- a] Goods and Services.
- b] Consumption expenditures.
- c] Revenue.
- d] Costs.
- e] Money income (wages, rents...)
- f] Labor, land, capital, Natural ability.
- g] Resource Markets.