

Chapter 2:

Problem 4 →

a.) $\uparrow P_{\text{beef}} \Rightarrow$ Supply curve will shift to the left as inputs become more expensive

b.) Demand will likely shift to the left since, for many, beef and chicken are substitutes. As $P_{\text{chicken}} \downarrow$, we'd expect people to substitute toward chicken

c.) Demand curve shifts to the left as beef is now less desirable by consumers

d.) demand curve would shift to the left. We'd expect older individuals to shift consumption to more expensive cuts of meat as they would have higher incomes.

e.) demand curve should shift left as fewer people follow the diet

f.) Demand curve shifts left as fewer individuals are in the market for beef

g.) People are more likely to make burgers at home, so demand should shift left.

h.) $\uparrow W_{\text{min}} \Rightarrow \uparrow$ in production costs. Therefore, supply would shift left.

Sorry!

Really sorry!

Chapter 3:

Problem # 9

a.) Equilibrium wage for low-skilled workers

$$Q^S = 10W = 240 - 20W = Q^D$$

$$30W = 240$$

$$W^* = \frac{240}{30}$$

$$\underline{W^* = \$8}$$

Equilibrium quantity = $Q^S = 10W^*$ or $240 - 20W^* = Q^D$

$$\hookrightarrow 10(8) = \underline{80 \text{ workers}}$$

b.) IF $W_{\min} = \$10$, then employment-seeking persons = $Q^S = 10(10) = \underline{100 \text{ people}}$

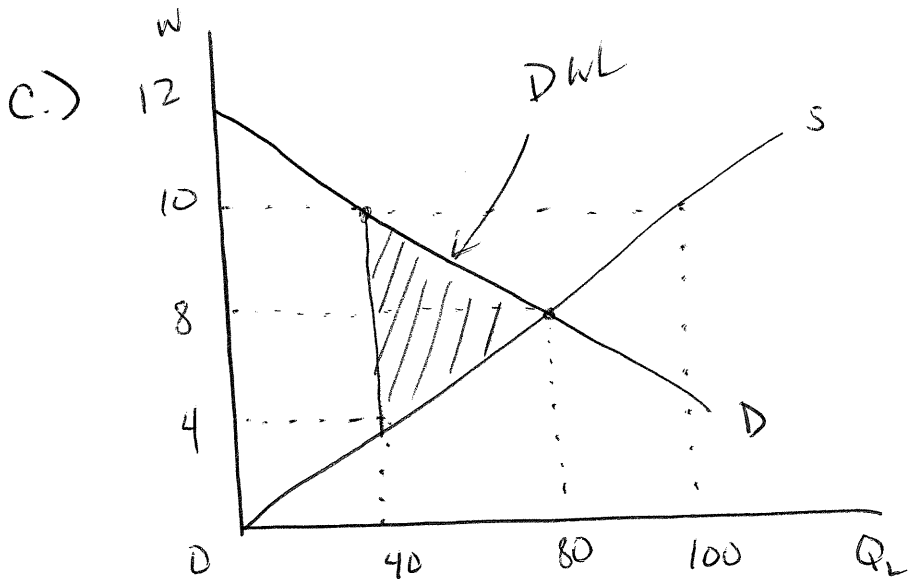
However, the number of employers seeking workers

$$= Q^D = 240 - 20W_{\min}$$

$$= 240 - 20(10)$$

$$Q^D = 40$$

\Rightarrow ~~100~~ $Q^S > Q^D \Rightarrow$ unemployment of 60 people
 $100 > 40$



$$DWL = \frac{1}{2}bh = \frac{1}{2}(80-40) \times (10-4) = \underline{\underline{\$120}}$$

d.) demand choke price = \$12
 supply choke price = \$0

At w^* , consumer (employer) surplus

$$\frac{1}{2}(80-0) \times (\$12-8) = \underline{\underline{\$160}}$$

At w^* , producer (worker) surplus

$$\frac{1}{2}(80-0) \times (\$8-0) = \underline{\underline{\$320}}$$

At w_{min} , PS becomes

$$\frac{1}{2}(40-0) \times (\$12-\$10) = \underline{\underline{\$40}}$$

At w_{min} , CS becomes

$$[\frac{1}{2} \times (40-0) \times (\$4-0)] + [(40-0) \times (\$10-\$4)] = \underline{\underline{\$320}}$$

Problem 16:

The structure of the tax does not matter.
In a competitive market, the wage would adjust to the market-clearing level regardless of who is technically required to pay the tax. Tax incidence depends not on law, but on E^D and E^S .

Additional Questions:

1.) Economics is an analytical social science which studies purposeful human action and the social world. Economics is a method for analyzing human decision-making whenever there is choice, it recognizes that people choose ends and economize on means. Economics differs from other sciences in that its goals are to

1. Render phenomenon intelligible.
2. Trace out the consequences of human action as opposed to prediction and control.

Economics focuses on means and ends, that people act purposefully given certain ends. History focuses on means and ends in the past. Psychology focuses on why people adopt certain ends.

2.) This means that when we discuss behavior we examine economic decisions through individuals. This is derived from our assumption that only individuals choose. We may discuss the actions of large groups only to the extent we discuss the group in terms of individual actors. To say "Congress" acts is incorrect because Congress is not an individual and, therefore, does not act. Individuals in congress act individually.

3. Scarcity means that human wants are greater than the means available to fulfill those wants. Scarcity implies that people must make choices on how to allocate resources.

4.) opportunity cost is the value of the next best forgone alternative. This means that when we discuss economic issues, we must always consider opportunity costs.