

# Econ assignment



Names (as they appear on model) must be in alphabetical order on the cover page (last names first). Graded work will be available for pick-up beginning on the afternoon of Friday October 17 in the Icon Distribution Center, Dunning Hall Room 334. You will require your student card. This assignment covers material from Chapters 1, 2, 33 (plus 823-835), and 3 of the text.

True, False, or Uncertain [48 marks – 6 marks each] Explain why each of the following statements is True, False, or Uncertain according to economic principles.

Use diagrams where appropriate. Unsupported answers will receive no marks. It is the explanation that is important. AY-1. If all Canadians earned the same income, there would be neither poverty nor scarcity in the country. AY-2. The sentence below is an example of a purely positive economic statement. “ During a recession the government must increase its spending to replace reduced private spending and reduce unemployment even if this leads to an increase in the national debt. ” AY-3.

In a supply and demand model of the Canadian corn market, the price and quantity of corn are endogenous variables while government ethanol mandates, the local weather during the growing season, and the extent of wild fires affecting Russian wheat production and therefore world-wide wheat prices, are exogenous variables. AY-4. Suppose Ontario can produce corn for \$1 per bushel and wheat for \$6 per bushel while Saskatchewan can produce corn for \$2 per bushel and wheat for \$4 per bushel.

Ontario has an absolute and comparative advantage in corn while Saskatchewan has an absolute and comparative advantage in wheat. AY-5.

Suppose Japan can produce 6 cell phones or 2 computers with a unit of resources while Finland can produce 4 cell phones or 1 computer with a unit of resources. Because Japan has an absolute advantage in both cell phone and computer production, there can be no mutually beneficial trade between the countries. AY-6. Opening an economy to trade makes everyone in the economy better off. AY-7.