Macro econ discussion questions

Macroeconomics al Affiliation) Answers to Page 67 Questions Question 2 b) Lower tuition fee. Question 3 If the government had introduced price-gouging laws for consumers, the shrimp prices would not have risen and consumption would have remained the same in the wake of the BP Oil spill.

Question 7

Both individuals who can afford and those that cannot afford the market prices share the available (qa) organs. This is fairer than the market distribution system where individuals who can afford the market prices only can access the organs.

Answers to Page 68 Questions

Problem 4

If the government set a price ceiling of $2, the total market supply would be 12 gallons per day. However, at this price, the total market demand is 15 gallons per day. There would be a market shortage of 15-12 = 3 gallons per day.

Problem 5

c) Price

Problem 8

a) qa is supplied at zero prices

b) qe would be supplied at positive prices

Answers to Page 87 Questions

Question 1

Taxpayers should subsidize public colleges and universities as they benefit the society through increased research, innovations, and human resource development.

Question 4

The fourth of July fireworks might be considered a public good since no one can be excluded from enjoying the fireworks. Airport security is not a public good since it is exclusionary and only individuals within the airport premises enjoy the security.

Question 6

If smoking generates external costs, it should not be outlawed but a sales tax should be introduced to cater for the external costs. Similarly, in the case of cars pollution, toll taxes on roads or unit taxes on fuel can be introduced to cover for the social costs of the pollution.

Question 7

Social security benefits cannot be provided optimally in the private sector hence the need for government intervention to provide the benefits to individuals.

Question 11

The taxes of local governments hit the poor hardest.

Answers to page 89 Questions

Problem 6

a)

Income

Consumption

Sales Tax 10%

% of Income paid in Taxes

10000

11000

1100

11%

20000

20000

2000

10%

40000

36000

3600

9%

80000

60000

6000

7. 5%

b) The sales tax is regressive

Problem 8

a) If tuition is set at $3000, then six students will enroll.

b) The socially optimal enrollment would be eight students.

c) $6000

Problem 9

a) 8 million packs

b) 4 million packs

c) $8 millions

Answers to page 110 Questions

Question 2

If the total price of the products produced in an economy increase more than proportionately compared to the reduction in the quantity produced, then GDP will increase. This is a price inelastic effect.

Question 6

Prostitution, drug dealing, working construction for a day, and walking kids to a bus

Question 7

Natural capital loss

Answers to Page 111 Problems

Problem 1

Stage

Value Added

1

0

2

$9000

3

$11000

4

$28000

Answers to page 129 Question

Question 10

Outsourcing increases U. S. productivity and profits while reducing U. S. production

Costs and prices.

Answers to Page 130 Problems

Problem 1

a) 90. 39%

b) 9. 61%

c) 49. 68%

Problem 5

a) 8. 01%

b) 13. 79%

Problem 12

a) Seasonal unemployment

b) Structural unemployment

c) Cyclical unemployment

Answers to page 149 Questions

Question 1

Farmers would rather store their output than sell it during periods of hyperinflation as they would be speculating and waiting for the prices to hit high points so that they can make more profits. This practice would lead to a deficit in supply, which will lead to rocketing of prices.

Question 3

Households lose from rising house prices while property owners gain.

Question 7

It is not advantageous to borrow money if you expect prices to rise. I would go for an adjustable interest rate loan to protect the loan from effects of inflation.

Question 8

People feel worse off because their purchasing power does not increase with an increase in income if prices increase as fast as the increase in income.

Answers to page 150 problems

Problem 1

Page 138 is missing

Problem 3

a) 20000-(0. 05*20000) =$19000.

b) $20, 000

Problem 4

a) 15%

b) $1010

c) The debtor

Problem 10

b) 27. 49%