

# Economics assignment

[History](#), [American History](#)



Module 5 Assignment 1. What is a production function? Production function is equations used to show the relationship between quantities of capital, labor and other factor inputs that are used in production and output quantity of goods and services (GAP) from production. Write an equation for a typical production function, and explain what each of the terms represents.  $K$  (physical capital)/  $L$  (quantity of labor) This equation shows you how much physical capital (equipment/structures) is used per worker. 2. Why is productivity related to the standard of living?

Additionally, stocks give you partial ownership in a company whereas with bonds you do not have ownership. A bond is an IOU with the company as a lender whereas stocks are not. Stock present greater risks but also can possibly have greater return than bonds. In the event a company runs into financial trouble, those with bonds are paid before those who have stocks. If a company does well, those with shares enjoy the advantages but those with bonds only earn the interest from their bonds. Suppose that you are a broker and people tell you the tolling about themselves.

What sort of bond would you recommend to each? Defend your choices. A. “ I am in a high federal income tax bracket and I don’t want to take very much risk. ” b. “ I want a high return and I am willing to take a lot of risk to get it. ” c. “ I want a decent return and I have enough deductions that I don’t value tax breaks highly. ” 3. Your brother-in-law wants to buy either stock or bonds in Cedar Valley Furniture, which manufactures wooden furniture. He wants your advice on whether to buy stock or bonds.

Explain how each of his quotes below should affect his choice between the stock and the bond. A. “ I have reason to believe that people are soon going to find rocking chairs have health benefits. ” – He should buy stock because when Cedar Valley Furniture does well financially, he will reap those benefits as well. B. “ I would like to tell people I am part owner of Cedar Valley Furniture. ” – He should buy stock because this gives him partial ownership in Cedar Valley Furniture. C. “ I do not want to take on much risk. He should buy bonds because he has less risk than with stock. 4. Identify each of the following acts as representing either saving or investment. A. Fred uses some of his income to buy government bonds.