

Problem 1KPQ

Step-by-step solution

step 1 of 3

Thinking at the margin means that people while making any decisions are concerned about the incremental costs and benefits.

step 2 of 3

When McDonald's may decide to introduce a premium brand of coffee it is because the incremental benefit from the introduction of the premium coffee may be more than the cost involved in producing it and may also cover the loss of sales for its existing standard coffee.

step 3 of 3

Thinking at the margin ensures that McDonald's thinks about the improvement in its profits by adding a new product to its existing line of products.

Problem 1QP

Step-by-step solution

step 1 of 1

The subject matter of economics is not only concerned with money or prices alone. But it is rather concerned with the problem of making choices. As the resources are limited and our wants are unlimited, we are always concerned about making choices that will optimally utilize these resources. The statement that, "economics is everything to do with money" is thus wrong in many aspects. Economics is not only concerned with money, but it is concerned about making the right choices. A consumer might think about allocating his income between the purchase of various goods and services that will optimize his utility, whereas a producer will try to allocate his resources, such that he produces optimally at minimal costs.

Problem 1WEQ

Step-by-step solution

step 1 of 8

Decision related to individuals, businesses, industries and governments are part of microeconomics whereas like inflation, unemployment, national output are related to macroeconomics.

step 2 of 8

1. Hewlett-Packard announces that it is lowering the price of printers by 15% - The issue is related to microeconomics because it talks about the decision of an individual company.

step 3 of 8

2. The president proposes a tax cut - The event is related to macroeconomics. The tax cut will be applicable to the whole economy.

step 4 of 8

3. You decide to look for a new job - The decision is related to the individual, so the issue is related to microeconomics.

step 5 of 8

4. The economy is in a recession, and the job market is bad - The issue is related to the whole economy. So it is a matter of macroeconomics.

step 6 of 8

5. The Federal Reserve announces that it is raising interest rates it fears inflation - The issue is related to the whole economy. So it is a matter of macroeconomics.

step 7 of 8

6. You get a nice raise - The issue is related to the individuals and so it is a matter of microeconomics.

step 8 of 8

7. Average wages grew by 2% last year - The issue is related to the whole economy. So it is a matter of macroeconomics.

Problem 2QP

Step-by-step solution

step 1 of 2

Going to college increases the skill level of the candidate and increases his possibility of getting a job. Therefore, we can say that going to college increases the number of choices that a person can have in terms of choosing a livelihood.

step 2 of 2

College education by improve the skill level of the candidate ensure that the individual become more productive for the economy. If the person had not been to college his skill level would have been lower and would not have been of much use for the economy. Therefore, we can also conclude that college education helps in reducing scarcity of resources by make people more productive.

Problem 3QP

Step-by-step solution

step 1 of 1

Positive questions are those which can be answered through the available facts and information. Though the answers may not be acceptable to all, as perspectives differ among different persons, positive questions are answerable through an understanding of basic facts and information.

Normative questions are those which are answerable through what the society believes as right and not right. It also answers that what should take place and what should not take place. These societal beliefs can be with regard to security of banning some sports or banning or limiting the production of some products like cigarettes.

Though positive questions and normative questions differ in context, they are nevertheless used in explaining the various concepts of economics, how the individual economic units make decisions, and how the governmental policies are framed.

Problem 4QP

Step-by-step solution

step 1 of 1

Opportunity costs are defined as those costs of the next best alternative foregone to choose this alternative. Generally when we stay at home on Wednesday nights to study, but on one Wednesday my friend is celebrating his 21st big birthday with a party, so we are planning to attend it. The opportunity costs of attending the party is thus the studies that we usually do on Wednesday nights, by staying at home.

Problem 5QP

Step-by-step solution

step 1 of 1

The incentive to spend four years of one's life and tens of thousands of dollars to earn a college degree is that with that degree, one could earn a better living in the future. Here the present benefits of whiling away one's time or going for a job is overcome by spending thousands of dollars to earn a degree, so that in the future, the degree holder can earn a better living by being competent enough to get a job in the labor market.

Problem 6QP

Step-by-step solution

step 1 of 1

Markets generally lead to a efficient outcome since both the buyers and sellers make the optimal choices and price is generally determined by the market forces of demand and supply. When new products come in and they gain popularity and profits, this will attract new producers into the market, which will lower the prices and keep it at equilibrium. Similarly the price will influence the demand and supply forces and where they meet gives the equilibrium price at which the demand is equal to the supply of the product. Above the equilibrium price demand is lesser than supply resulting in a surplus and below the equilibrium price, demand is greater than supply resulting in a shortage.

Problem 7QP

Step-by-step solution

step 1 of 5

High-tech firms tend to treat their employees better in term of better wages, benefits, working environments, vacations and so on compared to landscaping or fast food franchisees.

step 2 of 5

In the job market, there is less number of people who are well qualified and skilled to be recruited by a high-tech firm. But on the other hand, a fast food franchisee requires only unskilled or semi skilled people who are available in abundance.

step 3 of 5

Therefore, the high-tech firms have to ensure that they treat the employees well and keep them motivated and satisfied. If these people leave the company then it would be difficult and expensive for the firm to find their replacement. A fast food franchisee can very easily get a replacement for its employees and so it is not bothered about providing extra facilities for its employees.

step 4 of 5

It is, however, not fair because there is differentiation in treatment to the employees. Any job is a job and employees deserve to be treated equally.

step 5 of 5

But the process is efficient because it help both the firm to maximize the resources utilization. Moreover, better working quality in high-tech firm will also influence some of the prospective job seekers to acquire the high-tech skills.

The decision to provide better quality of working environment is based to the labor market condition.

Problem 8QP

Step-by-step solution

step 1 of 1

Mail in rebates is generally used by some stores to attract customers who are keen in getting the rebate on the products they purchase. The benefits for the companies which offer mail in rebates are that they can attract more customers by lowering the prices (by offering mail in rebates) for a specific time period. But many of the customers would not bother to claim the rebate. The benefits for some customers who do claim the mail in rebates to take advantage is that they get their money they spent on the product partially refunded. Mail in rebates are generally attractive to budget conscious people.

Problem 9QP

Step-by-step solution

step 1 of 4

The black rhino is an endangered species. This is because of the importance attached with the horn of rhino. In many Asian countries, the horn is considered to be a powerful aphrodisiac and so it fetches thousands of dollars. This has resulted in a great increase in the number of poaching of rhinos.

step 2 of 4

Removing the horn of the rhinos by the conservationists may appear to be a simple method to reduce poaching. This is because removing the horn will make the rhinos worthless for the poachers and there will be no incentive for doing so. A number of countries like Namibia, Zimbabwe and South Africa have tried out this method. As a result the number of poaching has come down but not to the expected level.

step 3 of 4

It has been observed that rhinos are still being poached down after about 10-15 months of dehorning. This is because of the stub of horn that is left after removal. If the horn is cut too close to the germinal layer, this could damage the horn base and lead to deformed horn re-growth. During dehorning it is estimated to remove 90% and 93% of horn mass in male and female white rhinos respectively. So, if a stub of horn will remain poachers can still make some profit from this and so they continue to kill rhinos. In some cases, poachers have killed rhinos after dehorning just out of vengeance.

step 4 of 4

Therefore, in order to make the dehorning of rhinos more effective it has to be coupled with extensive anti-poaching security and monitoring efforts.

Problem 10QP

Step-by-step solution

step 1 of 1

Most amusement parks that charge fixed price on admission, include unlimited roller coaster rides and many people may want to maximize on the value of their admission and go in for the roller coaster ride as often as possible. But taking a roller coaster ride over and over again to get the money's worth is not considered as thinking on the margin as the marginal satisfaction or utility derived from additional rides might become zero (or even negative as taking additional rides might lead to over-exhaustion and inability to enjoy the other rides). Thus taking additional roller coaster rides again and again is not considered to be thinking on the margin.

Problem 11QP

Step-by-step solution

step 1 of 2

Hybrid cars use less of gasoline and are more efficient. But a hybrid car costs approximately \$4,000 to \$5,000 more than a normal car. Therefore, in order to make people purchase such expensive cars it is necessary for the government to provide some kind of incentive to the purchasers.

step 2 of 2

The purchaser can be provided a onetime tax credit which will compensate for the excess costs of the cars. This will induce some people to decide in favor of hybrid cars rather than normal cars.

Problem 12QP

Step-by-step solution

step 1 of 1

In the system of universities and colleges that charge tuition by the credit hour:

- The beneficial effect would be the students are selective in the classes they attend, and attend only those they require and are interested in. And they might pay only lesser if they take minimum classes.
- The harmful effect would be the student might not learn other new things that are entirely new to them and this might affect their results in the exam
- The marginal utility of each hour attended will be equal to the costs of credit hour charged.

In the system of universities and colleges that charge tuition by the term

- The beneficial effect would be students would spend more time studying as they have paid for it totally. This will make them wiser.
- The harmful effect is that students might feel bored with the already learnt concepts that they have to go through with the other students.
- As the marginal price is not linked to the credit hour, in the term system, the student will not attend all the classes and his success rate in the exams might be lower.

Problem 13QP

Step-by-step solution

step 1 of 1

The reasons that would have taken the persons those who had done economics majors 8.2% to the top 1% of the salary earners in the job market (next to Premed who recorded 11.8%) is that economics underlies major decisions making processes in every field. Whether it is business, it is managerial economics, whether it is government, it is public economics, when it is international trade, it is international trade and economics. As economics majors underlie every other discipline, it contributes to the fact that those who did economics majors are among the top 1% of the salary earners. But it also depends on the sector in which one is employed in.

Problem 14QP

Step-by-step solution

step 1 of 1

Some of the reasons for the Ticketmaster to increase the paperless tickets and that to pick up tickets on the day of the event by showing identification credit cards are that, this could reduce resale and black marketing of tickets to the events. However the consumers are getting affected as they could not buy and donate the tickets or offer them as charity to others for such events. In this case the secondary market for these tickets also gets dissolved and the demand for such tickets could go down as they could not be resold, the incentives for the consumers who buy such tickets to sell them to other fans gets disturbed as provision of identification becomes a problem.

Problem 15QP

Step-by-step solution

step 1 of 1

When my favorite band is coming to my area and the tickets are sold at \$100. If I forego my work on that day for which I could have earned \$60, then the opportunity cost for going to the concert of my favorite band is \$60, the cost of the next best alternative foregone.

Problem 16QP

Step-by-step solution

step 1 of 1

Suppose Mr.X pays \$10 to watch a movie in a local multiplex complex, and then goes or sneaks into the second movie without paying, there is no marginal costs involved; as marginal costs is a concept applied to the production functions where the marginal costs are incremental costs added to total costs that occur due to the production of one more unit of the good.

Problem 17QP

Step-by-step solution

step 1 of 1

a) The percent of income spent on food in 1960 is 17% in 1960 and has declined to 9% in 2010. The decline in income spent on food equals

b) The percent of income spent on health care has increased from 8% in 1960 to 17% in 2010. The increase in income spent on health care equals

Problem 18QP

Step-by-step solution

step 1 of 1

Nearly 90 (thousand) economics degrees were awarded in 2011. 150 (thousand) nursing degrees were awarded in 2011 and 70 (thousand) communication degrees were awarded. Comparatively economics degrees awarded were 60 thousand degrees lower than nursing degrees and 20 thousand degrees higher than communication degrees awarded.