

IVC

Irvine Valley College

Homework 1 Economics 1 Honors

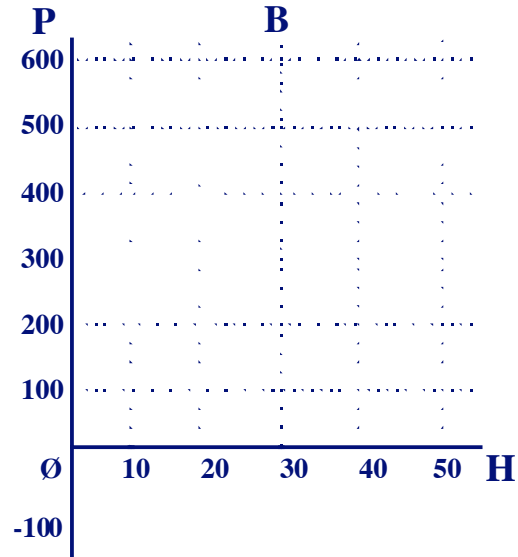
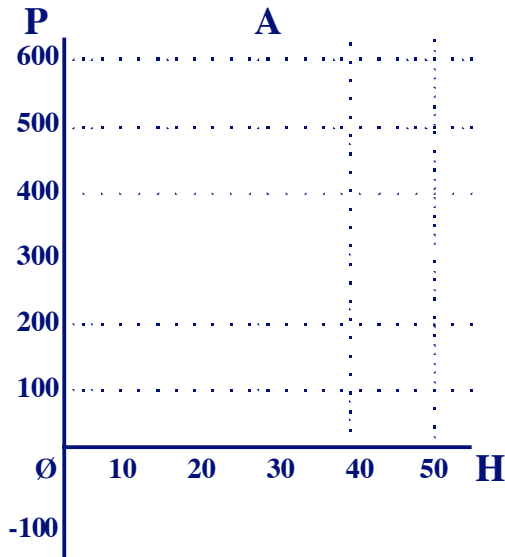
Mark McNeil

1. a. My take-home pay (P) is determined by my wage rate (\$20/hour), the number of hours worked (H), and my contribution to my medical insurance (\$100/month).

$$P = 20H - 100$$

Graph this function with H on the horizontal axis and P on the vertical axis.

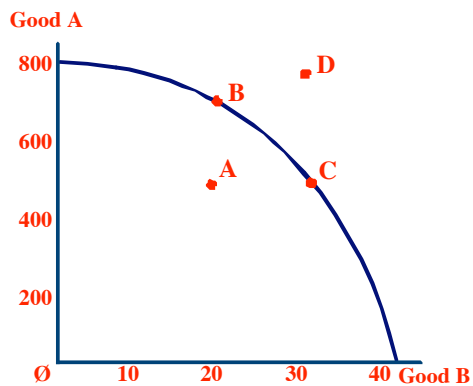
- b. Show and explain what happens when the number of hours worked increases from 20 to 22 hours per week. (Do this on the graph on the left.)
- c. Show and explain what happens when my contribution to medical insurance decreases from \$100 to \$50. (Use the diagram on the right for this.)



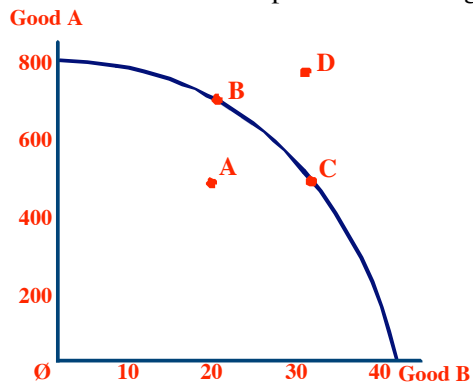
2. Determine the category of resource each of the following falls under:
- I am cod in the Bering sea.
 - I am the Mars lander (a robot).
 - I sit in a toll booth all day and collect tolls (and smile).
 - I am the person who developed and popularized Hot Pockets.

3. Which is more efficient, a solar powered car or a large eight cylinder SUV?
Explain it both ways, the solar powered car is more efficient; the SUV is more efficient.

4. a. Explain and show on the diagram the cost of increasing the production of good B from 20 to 30 units.

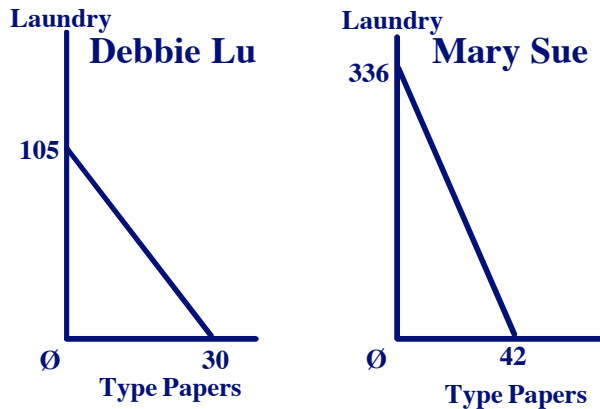


- b. Show and explain economic growth. What causes it?



- c. **Given the assumptions** under which the production possibilities curve is drawn, is it possible to produce at point D? Explain.
- d. Assume that Good A represents capital goods and Good B represents consumer goods, what will happen to the production possibilities frontier in the future if this country produces mostly capital goods? Explain.

5. Assume that Debbie Lu and Mary Sue are the only two people in the world and that there are only two things that they can do with their lives: do laundry and type papers. Debbie Lu and Mary Sue's production possibilities curves are shown below.



- a. Which person should do which job?
 _____ should do laundry and _____ should type papers.
- b. The cost to Debbie Lu of doing one laundry is _____
 The cost to Mary Sue of one laundry is _____
 The cost to Debbie Lu typing a paper is _____
 The cost to Mary Sue of typing a paper is _____
- c. A trading ratio that will make both Debbie Lu and Mary Sue better off is:
 _____ loads of laundry for one paper typed.
- d. Explain how wealth will be created for both parties if they specialize and trade with each other.

6.
 - a. Without laws and enforcement by government, the society would degenerate into a state of lawlessness and anarchy.
 - b. Order springs spontaneously from human interaction, and generally people who don't cooperate are dealt with by the group without the aid of the police or government.

Support each position, use an example that was not used in class.