

HOMEWORK #1
CHAPTERS 1-4 (35 POINTS)
ECONOMICS 130/131
Windward Community College
DUE DATE: _____

1. Describe some of the tradeoffs faced by each of the following:
 - a. A family deciding whether to buy a new car. (1 point)

 - b. a member of Congress deciding how much to spend on national parks (1 point)

2. You are the Mayor of Honolulu and you trying to decide whether to build a park in Kaneohe. What are some of the costs of a new park? What are the benefits of a new park? In your opinion, does the park get built? (1 point)

3. The first principle of economics discussed in Chapter 1 is that people face tradeoffs. Use a production possibilities frontier to illustrate a firm's tradeoffs between bottled water and bottled soda. What are the assumptions behind the frontier? Show what happens to the frontier if engineers develop a technology that produces more bottled water and bottled soda than before. (2 points)

4. a. Suppose a lawyer that earns \$200 an hour can also type at 200 words a minute. Should the lawyer hire a secretary who can only type 50 words a minute. **(2 points)**
- b. You are watching an election debate on television. A candidate says, “We need to stop the flow of immigrants (both legal and illegal) into our country. If we limit the flow of immigration, our employment will increase and the USA will be better off.”
- a. Is it likely that the United States will be better off if we limit immigration? Explain briefly **(1 point)**
- b. Will anyone in the United States be better off if we limit immigration? Explain briefly **(1 point)**
- c. In the real world, does every person in the USA gain when immigration restrictions are reduced? Explain briefly **(1 point)**

5. Changes in Demand

Indicate whether there is a shift to the left or to the right in demand, an increase or decrease in quantity demanded, or no effect on demand. Hint: if there is a shift in supply, then there is no initial impact on demand.

(10 points).

Determinant	Demand shifts right	Qd Increase	Demand shifts left	Qd Decrease	No Effect on Demand
1. The number of producers of the product decreases					
2. Consumers expect higher prices in the future.					
3. The price of the product goes up.					
4. The price of a substitute increases					
5. Consumers' incomes fall for Normal Goods					
6. The price of a complement falls.					
7. .Consumers just must have an XBOX Game Console.					
8. The price of the product falls.					
9. Mortgage rates increase for houses					
10. Consumers' income rise for Inferior Goods.					

6. Changes in Supply

Indicate whether the supply curve would shift to the left or right or whether Quantity Supply will move up or down in the following situations. If there is no effect on supply, say so. Remember, we are just dealing with initial effects here. Just mark the correct answer with a check mark. **(10 points)**

Determinant	Supply Shifts Right	Qs Up	Supply Shifts Left	Qs Down	No Effect on Supply
1. The number of producers of the product decreases					
2. Consumers expect higher prices in the future.					
3. The price of the product goes up.					
4. The cost of an input decreases.					
5. Consumers' incomes fall					
6. A change in technology reduces the costs of producing the product.					
7. A tax on the product is increased.					
8. The price of the product falls.					
9. Workers making the product demand and get higher wages.					
10. A natural disaster destroys the plant making the product.					

