

## Economics

Chapter 1 Assessment Answers (page 20, questions 1A, 3, 6-9; page 21, questions 1-3)

### page 20

- 1a) land, labor, capital
- 3a) [possible response] opportunity cost of lightweight car is greater safety; opportunity cost of heavier car is higher fuel cost
- 3b) [possible response] students might buy the heavier car due to greater safety
- 3c) [possible response] doubling of gasoline price would push them to buy a lighter car to save on fuel costs; having a million dollars might convince them to buy the heavier car because gas cost would be less problematic; having children might push them to buy the heavier, safer car
- 6) 5 million computers
- 7) 2 million televisions
- 8) 5 million televisions
- 9) At point a, there is no opportunity cost because the maximum number of televisions, 20 million, can be produced. At point b, the opportunity cost of 5 million computers is 2 million televisions, so the opportunity cost of each 1 million computers is 400,000 televisions.

### page 21

- 1) D
  - 2) B
  - 3) A
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Chapter 2 Assessment (page 46, questions 2, 3, 6, 8; page 47, questions 1-3)

### page 46

- 2a) Smith thought the government should intervene as little as possible. He believed that competition allowed the market to regulate itself, insuring that producers provided what consumers wanted to consume at reasonable prices.
- 2b) Examples are: to provide education, to protect property, and to prevent unfair business practices.
- 2c) [possible answer] Smith would approve of laws against unfair business practices, since such practices stifle competition and prevent the marketplace from operating freely.
- 3a) efficiency, freedom, security, equity, and growth
- 3b) [possible answer] The free market system does the best job of providing efficiency, freedom, and growth. Command economies often provide security by insuring jobs.
- 6) Iran: \$12,300, Hong Kong: \$42,000
- 8) Russia's per capita GDP is 31.8% of that of the U.S.; France's is 73.5% of that of the U.S., and Singapore's is 106.3% of that of the U.S.

### page 47

- 1) B
- 2) C
- 3) A

Chapter 3 Assessment (page 74, questions 2-8; page 75, questions 1-3)

page 74

- 2a) gives authors of copyrighted work exclusive right to sell the work
- 2b) unauthorized downloading removes the copyright holder's control of access to the work
- 2c) *Your answer should reflect awareness that private property rights are involved.*
- 3a) benefit to each individual is less than the cost each would have to pay if it were provided privately, and total benefits to society are greater than the total cost
- 3b) [possible response] new library computers
- 3c) [possible response] A positive externality is that more patrons will come to the library to use the computers, so more employees might be needed. A negative externality is that the library budget will increase due to increased electricity usage and additional staff.
- 4a) to help the poor, the elderly, and the disadvantaged
- 4b) [possible response] Yes, because resources are not evenly distributed throughout society.
- 5) Social Security was the most expensive program. It exceeded Medicare, the next most expensive, by just under \$300 billion in 2007.
- 6) Unemployment and TANF both did not increase in cost between 2003 and 2007.
- 7) Social Security benefits increased by about 20%. Medicare increased by about 30%. Medicaid increased by between 12 and 20%.
- 8) Unemployment compensation is most likely to change with the business cycle because an expanding economy is likely to have job growth with fewer unemployment payments, while a contracting economy has more job loss so more unemployment benefit payments.

page 75

- 1) B
- 2) C
- 3) C