Problem Set 1
Collaborative Learning Session

The problems below build on the questions from your first homework set and will be answered at your CL meeting. Print these questions and take them to your first CL meeting. Notice that there is a reading at the CL1 link.

Note. After reading the material in the text, attending lecture, and answering homework questions, your group should be able to move through these questions smoothly. At least one person in the group should be able to get you started on each problem, and then the group should be able to work through to a satisfying solution. Each group will determine whether their answers are acceptable. Very few real-life situations come with answer keys provided. Becoming accustomed to uncertainty is an important skill in dealing with the "real world." Written answers are intentionally not provided for CL problems, although some feedback will be given at CL meetings. The goal is for you to become skillful in using the economic way of thinking and confident in your ability to use it. Collaboration with group members should develop your confidence in knowing when you have applied the concepts and analytical models correctly. Enjoy!

1. The members of my group are:

2. a. Ask one "volunteer" from your group to list all the alternative activities he/she might be doing if not attending this CL session.
   b. What is this volunteer's opportunity cost of attending this CL session? Explain.

3. The Student Recreational Sport Center is a free good. True/false/explain.

4. a. Sketch a Production Possibilities Frontier that corresponds to the table below:

<table>
<thead>
<tr>
<th>E201 Score</th>
<th>Leisure time (hours per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>0</td>
</tr>
<tr>
<td>85</td>
<td>1</td>
</tr>
<tr>
<td>75</td>
<td>2</td>
</tr>
<tr>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>40</td>
<td>4</td>
</tr>
</tbody>
</table>

   b. As more leisure is "produced," what happens to the slope of the PPF?
   c. What is the economic interpretation of this change in slope?

5. a. Write a normative statement about studying economics.
   b. Write a positive statement about studying economics.

6. Assume two industries, clothing and wheat. Clothing is very labor-intensive; wheat is very capital intensive.
   a. Draw a PPF showing a 10% increase in capital resources.
   b. Draw a PPF showing a 10% decrease in labor resources.
   c. Draw a PPF showing an improvement in technology for producing only clothing.
7. Classify each of the following statements as positive or normative:

a. A ceiling on rents reduces the quantity and quality of rental housing available.

b. Rent controls would be a good policy in a town with very high rents.

c. Tariffs and import quotas usually reduce general economic welfare.

d. A minimum wage increases unemployment among young and unskilled workers.

e. Since minimum-wage workers may have incomes below the poverty level, the minimum wage should be raised to a “living wage.”

f. The government should restructure the welfare system along the lines of a “negative income tax.”

g. Putting a tax on effluent is a more efficient approach to pollution control than the mandating of pollution abatement devices.

8. The following questions are based on the New York Times article, “Exploiting the Gender Gap.”

a. What does the author mean when he says “high pay... is about tradeoffs.”

b. How does parenting affect the pay of women, other things constant?

c. Why do you think women who are medical doctors are less likely to be surgeons and more likely to be pediatricians?

d. Why does the author close by saying that “only by abandoning our focus on discrimination can we discover these opportunities for women’’?

9. Suppose that an hour of work in Brazil can produce 1 pound of coffee or 4 pounds of sugar. In Colombia, an hour of work produces 2 pounds of coffee or 5 pounds of sugar.

a. Which country has the absolute advantage in coffee? In sugar?

b. Calculate the opportunity cost of each good in each country.

c. Which country has the comparative advantage in each good? Why?

d. What would be a mutually beneficial terms of trade?