**ECN 351 Essentials for Economics**

**TEXTBOOK: Mankiw, G.N (2018,2015) Essentials of Economics 8th edition, Cengage Learning**

**QUESTION 1: If the United States could produce five televisions per hour of laborand China could produce three televisions per hour of labor, would itnecessarily follow that the United States should specialize intelevision production? Why or why not?**

**CLASS: HOW TO GET 100% ON THIS DQ AND PARTICIPATION**
 **WATCH THE VIDEO:** Know What You’re Talking About: [**https://youtu.be/XIGKPWfdP-w**](https://youtu.be/XIGKPWfdP-w)

1. **FOLLOW THE RUBRIC.** Be sure to cover every point based on what you’ve seen in the video and what you’ve read in the class materials.

**DQ 1 RUBRIC:**

|  |  |  |  |
| --- | --- | --- | --- |
| Who should produce: China or US? Why? | 2 | 1 | 0 |
| Explain comparative advantage. | 3 | 1 | 0 |
| TOTAL | 5 |   |   |

**QUESTION 2: Discuss the difference between absolute advantage and comparative advantage. Which is more important in determining trade patterns? Justify your answer.**

**CLASS: KNOW WHAT YOU’RE TALKING ABOUT – DQ 2 VIDEO AND RUBRIC**

1. **WATCH THE VIDEO:** Know What You’re Talking About: <https://youtu.be/CbgkjDSlGXg>
2. **FOLLOW THE RUBRIC.** Be sure to cover every point based on what you’ve seen in the video and what you’ve read in the class materials.

**DQ 2 Rubric:**

|  |  |  |  |
| --- | --- | --- | --- |
| Explain absolute advantage | 2 | 1 | 0 |
| Explain comparative advantage. | 3 | 1 | 0 |
| TOTAL | 5 |  |  |

**Chapter 1 Questions**

**1. Describe some of the trade-offs faced by each of the following:**

**a. a family deciding whether to buy a new car**

**b. a member of Congress deciding how much to spend on national parks**

**c. a company president deciding whether to open a new factory**

**d. a professor deciding how much to prepare for class**

**e. a recent college graduate deciding whether to go to graduate school**

**2. You are trying to decide whether to take a vacation. Most of the costs of the vacation (airfare, hotel, and forgone wages) are measured in dollars, but the ben-efits of the vacation are psychological. How can you compare the benefits to the costs?**

**3. You were planning to spend Saturday working at your part-time job, but a friend asks you to go skiing. What is the true cost of going skiing? Now suppose you had been planning to spend the day studying at the library. What is the cost of going skiing in this case? Explain.**

**4. You win $100 in a basketball pool. You have a choice between spending the money now and putting it away for a year in a bank account that pays 5 percent interest. What is the opportunity cost of spending the $100 now?**

**5. The company that you manage has invested $5 million in developing a new product, but the development is not quite finished. At a recent meeting, your salespeo-ple report that the introduction of competing products has reduced the expected sales of your new product to $3 million. If it would cost $1 million to finish devel-opment and make the product, should you go ahead and do so? What is the most that you should pay to complete development?**

**Chapter 2 #4 Question**

**4. An economy consists of three workers: Larry, Moe, and Curly. Each works 10 hours a day and can pro-duce two services: mowing lawns and washing cars. In an hour, Larry can either mow one lawn or wash one car; Moe can either mow one lawn or wash two cars; and Curly can either mow two lawns or wash one car.**

 **a. Calculate how much of each service is produced under the following circumstances, which we label A, B, C, and D:**

**• All three spend all their time mowing lawns. (A)**

**• All three spend all their time washing cars. (B)**

**• All three spend half their time on each activity. (C)**

**• Larry spends half his time on each activity, while Moe only washes cars and Curly only mows lawns. (D)**

**b. Graph the production possibilities frontier for this economy. Using your answers to part a, identify points A, B, C, and D on your graph.**

**c. Explain why the production possibilities frontier has the shape it does.**

**d. Are any of the allocations calculated in part a inefficient? Explain.**

**Chapter 3 #4-6 Questions**

**4. Suppose that there are 10 million workers in Canada and that each of these workers can produce either 2 cars or 30 bushels of wheat in a year.**

**a. What is the opportunity cost of producing a car in Canada? What is the opportunity cost of pro-ducing a bushel of wheat in Canada? Explain the relationship between the opportunity costs of the two goods.**

**b. Draw Canada’s production possibilities frontier. If Canada chooses to consume 10 million cars, how much wheat can it consume without trade? Label this point on the production possibilities frontier.**

**c. Now suppose that the United States offers to buy 10 million cars from Canada in exchange for 20 bushels of wheat per car. If Canada continues to consume 10 million cars, how much wheat does this deal allow Canada to consume? Label this point on your diagram. Should Canada accept the deal?**

**5. England and Scotland both produce scones and sweaters. Suppose that an English worker can produce 50 scones per hour or 1 sweater per hour. Suppose that a Scottish worker can produce 40 scones per hour or 2 sweaters per hour.**

**a. Which country has the absolute advantage in the production of each good? Which country has the comparative advantage?**

**b. If England and Scotland decide to trade, which com-modity will Scotland export to England? Explain.**

**c. If a Scottish worker could produce only 1 sweater per hour, would Scotland still gain from trade? Would England still gain from trade? Explain.**

**6. The following table describes the production possibili-ties of two cities in the country of Baseballia:**

**Pairs of Red Socks Pairs per worker per hour Pairs of White socks per worker per hour**

**Boston 3 3**

**Chicago 2 1**

**a. Without trade, what is the price of white socks (in terms of red socks) in Boston? What is the price in Chicago?**

**b. Which city has an absolute advantage in the production of each color sock? Which city has a comparative advantage in the production of each color sock?**

**c. If the cities trade with each other, which color sock will each export?**

**d. What is the range of prices at which trade can occur?**