

Principles of Microeconomics

Questions for Tutorial Week 2

1. Economics is

- A) the study of how people make choices.
- B) the study of stock trading.
- C) the study of money.
- D) the study of large corporations.

2. If it takes even a small amount of time, energy or money to acquire then a good is

- A) abundant.
- B) in shortage.
- C) cheap.
- D) scarce.

3. Explain how abundant resources such as water can be considered “scarce.”

4. Please watch this clip from “The Onion” (you will find it in the Week 2 Tutorial section of Moodle). How does this highlight the problem of scarcity?

5. Please watch this clip from “The Office” (you will find it in the Week 2 Tutorial section of Moodle). How does this clip illustrate the difference between direct and indirect incentives and how new policies can lead to unintended consequences?

6. You are moving from Clayton to Brunswick. Suppose it costs \$200 to hire movers to help you move. If you move by yourself, it would take 8 hours. In this time, you could work a job which pays \$30/hour. If you are a rational economic agent, which option would you choose? Explain your response.

7. What is meant when one says that decisions are made at the margin? Provide an example of making a decision at the margin.

8. If opportunity cost is the value of the best alternative not chosen, why is a rejected option important?

9. Please watch this “Trade Creates Value” demonstration (you will find it in the Week 2 Tutorial section of Moodle). How does voluntary trade create value?