

ECON 107

Quiz 3

(It really is quiz 4, but I forgot to update the number)
This quiz will last 10 minutes.

1. (5 points) **Honor Statement:** Please read and sign the following statement:

I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

Name and Surname: _____
Student ID: _____
Signature: _____

2. (8 points total) For each of the class of goods listed below state whether the good is rival or not rival and excludable or not excludable and then give several examples.

- (a) Club goods

Solution 1 *Club goods are non-rival but excludable. Some examples are films, movies, books, television shows, patents, etcetera.*

- (b) Public goods

Solution 2 *Public goods are both non-rival and non-excludable. Some examples are National defense, lighthouses, police protection, the legal system, sunshine, etcetera*

3. (4 points) Why is it important for social scientists to assume their subjects are rational?

Solution 3 *Two words: Humility and Respect*

Humility because it is the height of arrogance to assume that we are smarter than other humans. Respect because it is even worse if we assume that us armchair academics would know more about a problem than the people actually involved in the industry. For us the stakes are a publication, for them it is probably life or death. Who do you think has a better idea what to do? If we assume they are rational, then we also assume they do.

4. (3 points total) Standard feedback questions:

(a) (*1 point*) Out of ten, my level of comprehension of the material covered this week is:

(b) (*1 point*) My favorite topic of the week was:

(c) (*1 point*) The topic I understood the least this week was:

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This quiz will last 10 minutes.

1. (6 points) **Honor Statement:** Please read and sign the following statement:

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Student ID: _____

Signature: _____

2. (6 points total) There are three economies, each of which produce only food (F) and clothing (C). All of them have triangular production possibility sets and linear production possibilities frontiers. Our economy (a) can be characterized as the maximum C they can produce is 60 (when they produce no F) and the maximum F is 30 (when they produce no C).

For each of the economies below state whether country a would strictly benefit from trading with them, and why one might think they would not.

- (a) For country b the maximum C is 6000 and the maximum F is 5000.

- (b) For country c the maximum C is 40 and the maximum F is 20.

3. (8 points) Explain the diamond/water paradox and how it is resolved. Be sure to explain how it is about margins and not about scarcity.

4. (3 points total) Standard feedback questions:

(a) (1 point) Out of ten, my level of comprehension of the material covered this week is:

(b) (1 point) My favorite topic of the week was:

(c) (1 point) The topic I understood the least this week was: