

## Introduction/Economic Models – Day 1 Questions

Econ 202/Haworth

*The questions below are provided to test your understanding of this day's material.*

*To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says **Introduction-Day 1** and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 1 Daily Question assignment is Friday, February 3, at 9:00pm.*

1. We know that individuals make decisions which maximize net benefit, where we know that the typical individual has two choices – maximize their own net benefit or maximize the net benefit of their group, where the group we typically focus on is society. In this context, which of the following would be a true statement about this choice:
  - a. the role of government is to get individuals to choose to maximize their own net benefit
  - b. the role of government is to get individuals to choose to maximize the net benefit of society
  - c. individuals maximizing their own net benefit can lead to government intervention when society does not get the outcome preferred by society
  - d. maximizing society's net benefit can lead to government intervention when individuals do not get the outcome they prefer
  
2. Which of the following is a true statement about the term *ceteris paribus*:
  - a. this is a simplifying assumption that means "everything else held the same"
  - b. this is an analytical assumption that means "everything else held the same"
  - c. this is a behavioral assumption that means "everything else held the same"
  - d. this is a simplifying assumption that means "explain and predict"
  - e. this is an analytical assumption that means "explain and predict"
  - f. this is a behavioral assumption that means "explain and predict"
  
3. The statement "increasing the tuition at the University of Louisville will decrease the quantity of applications submitted to UofL" is best described as a(n):
  - a. analytical assumption
  - b. behavioral assumption
  - c. simplifying assumption
  - d. positive economic statement
  - e. normative economic statement

4. In a graph of the demand and supply model, we are analyzing the decisions of demanders and suppliers in a specific market. If the market involves the buying and selling of apples, then the graph has the price of apples on one axis and the quantity of apples sold on the other axis. Although variables like income obviously relate to the demand for apples and the cost of supplying apples clearly relates to the supply of apples, these variables do not appear on either axis of the graph.

Note the following statements:

- i. the price of apples is an endogenous variable
- ii. the quantity of apples sold is an endogenous variable
- iii. income and the cost of supplying apples are endogenous variables
- iv. the price of apples is an exogenous variable
- v. the quantity of apples sold is an exogenous variable
- vi. income and the cost of supplying apples are exogenous variables

Which of the statements above is a correct statement about an economic model of the market for apples:

- a. answers i, ii and iii are correct
- b. answers i, ii and vi are correct
- c. answers iv, v and vi are correct
- d. answers iv, v and iii are correct