

# Microeconomics

## 01 What Is Economics?

Microeconomics Ch 01

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## 4. Chapter: Microeconomics 01 What Is Economics?

### 1. Microeconomics 01 What Is Economics? Questions

#### 4.1.1. What is scarcity? Can you think of two causes of scarcity?

Author: OpenStax College

What is scarcity? Can you think of two causes of scarcity?

- Scarcity means human wants for goods and services exceed the available supply. Supply is limited because resources are limited. Demand, however, is virtually unlimited. Whatever the supply, it seems human nature to want more.

Check the answer of this question online at QuizOver.com:

Question: [What is scarcity Can you think of two OpenStax College Microeconomics](#)

#### 4.1.2. Residents of the town of Smithfield like to consume hams, but each ...

Author: OpenStax College

Residents of the town of Smithfield like to consume hams, but each ham requires 10 people to produce it and takes a month. If the town has a total of 100 people, what is the maximum amount of ham the residents can consume in a month?

- $100 \text{ people} / 10 \text{ people per ham} =$  a maximum of 10 hams per month if all residents produce ham. Since consumption is limited by production, the maximum number of hams residents could consume per month is 10.

Check the answer of this question online at QuizOver.com:

Question: [Residents of the town of Smithfield like OpenStax College Microeconomics](#)

#### 4.1.3. A consultant works for \$200 per hour. She likes to eat vegetables, ...

Author: OpenStax College

A consultant works for \$200 per hour. She likes to eat vegetables, but is not very good at growing them. Why does it make more economic sense for her to spend her time at the consulting job and shop for her vegetables?

- She is very productive at her consulting job, but not very productive growing vegetables. Time spent consulting would produce far more income than it what she could save growing her vegetables using the same amount of time. So on purely economic grounds, it makes more sense for her to maximize her income by applying her labor to what she does best (i.e. specialization of labor).

Check the answer of this question online at QuizOver.com:

Question: [A consultant works for 200 per hour. She OpenStax College Microeconomics](#)



#### 4.1.4. A computer systems engineer could paint his house, but it makes mor...

Author: OpenStax College

A computer systems engineer could paint his house, but it makes more sense for him to hire a painter to do it. Explain why.

- The engineer is better at computer science than at painting. Thus, his time is better spent working for pay at his job and paying a painter to paint his house. Of course, this assumes he does not paint his house for fun!

Check the answer of this question online at QuizOver.com:

Question: [A computer systems engineer could paint OpenStax College Microeconomics](#)

#### 4.1.5. What would be another example of a "system" in the real world that ...

Author: OpenStax College

What would be another example of a "system" in the real world that could serve as a metaphor for micro and macroeconomics?

- There are many physical systems that would work, for example, the study of planets (micro) in the solar system (macro), or solar systems (micro) in the galaxy (macro).

Check the answer of this question online at [QuizOver.com](http://www.quizover.com):

Question: [What would be another example of a system OpenStax College Microeconomics](#)

#### 4.1.6. Suppose we extend the circular flow model to add imports and export...

Author: OpenStax College

Suppose we extend the circular flow model to add imports and exports. Copy the circular flow diagram onto a sheet of paper and then add a foreign country as a third agent. Draw a rough sketch of the flows of imports, exports, and the payments for each on your diagram.

- Draw a box outside the original circular flow to represent the foreign country. Draw an arrow from the foreign country to firms, to represents imports. Draw an arrow in the reverse direction representing payments for imports. Draw an arrow from firms to the foreign country to represent exports. Draw an arrow in the reverse direction to represent payments for imports.

Check the answer of this question online at [QuizOver.com](http://QuizOver.com):

Question: [Suppose we extend the circular flow model OpenStax College Microeconomics](#)

#### 4.1.7. What is an example of a problem in the world today, not mentioned i...

Author: OpenStax College

What is an example of a problem in the world today, not mentioned in the chapter, that has an economic dimension?

- There are many such problems. Consider the AIDS epidemic. Why are so few AIDS patients in Africa and Southeast Asia treated with the same drugs that are effective in the United States and Europe? It is because neither those patients nor the countries in which they live have the resources to purchase the same drugs.

Check the answer of this question online at QuizOver.com:

Question: [What is an example of a problem in the OpenStax College Microeconomics](#)

#### 4.1.8. The chapter defines private enterprise as a characteristic of marke...

Author: OpenStax College

The chapter defines private enterprise as a characteristic of market-oriented economies. What would public enterprise be? Hint: It is a characteristic of command economies.

- Public enterprise means the factors of production (resources and businesses) are owned and operated by the government.

Check the answer of this question online at QuizOver.com:

Question: [The chapter defines private enterprise as OpenStax College Microeconomics](#)

#### 4.1.9. Why might Belgium, France, Italy, and Sweden have a higher export t...

Author: OpenStax College

Why might Belgium, France, Italy, and Sweden have a higher export to GDP ratio than the United States?

- The United States is a large country economically speaking, so it has less need to trade internationally than the other countries mentioned. (This is the same reason that France and Italy have lower ratios than Belgium or Sweden.) One additional reason is that each of the other countries is a member of the European Union, where trade between members occurs without barriers to trade, like tariffs and quotas.

Check the answer of this question online at QuizOver.com:

Question: [Why might Belgium France Italy and Sweden OpenStax College Microeconomics](#)