Discussion Questions – week 1

1. How do minimum wages affect wages, employment, and unemployment?

2. Is the CPI a good measure of inflation?

3. Why do stores offer coupons instead of simply reducing the price by the value of the coupon?

4. Why is the price of electricity regulated in most areas?

5. Why do some workers prefer set wages rather than commissions, even if they might make more working on commission?

6. Agree or disagree: We should strive to be a zero-pollution society.

7. If water is needed to survive, and diamonds are simply for jewelry, then why are diamonds so expensive, and water so inexpensive?

8. Are prices the best way to allocate pharmaceutical products?

9. Suppose you wanted to build a model to predict hurricanes. Which would be better, a model that resulted in more false positive predictions (storm is predicted but does not occur), or more false negatives (storm occurs but is not predicted)? Why?

10. What assumptions might you make to simplify the task of building an economic model of the grape market?

11. Think of a market the government currently intervenes in. What is an economic rationale for the intervention?

12. Can you think of any reasons why the Law of Demand might not hold?

13. What are some examples of markets that are competitive?

14. In which markets that would otherwise be competitive would you expect transaction costs to be very high?

15. Can you think of situations where the government would want to take actions that cause shortages?

16. In what markets and situations would you expect that the quantity demanded would not equal the quantity supplied?

17. Can you think of an example where a good is sold below equilibrium price without government intervention causing excess demand? Which property of perfect competition is violated?