

Week #1 Worksheet – Economics ~ Law of Increasing Cost

1. Economists say that a thing is scarce when:
 - a. only a finite amount exists.
 - b. there is at least one use for the thing.
 - c. the amount available is less than what people would like to have.
 - d. the amount of the item is both finite and decreasing.
2. Suppose that jeans cost \$25, assuming you are rational, how many pairs of jeans would you buy? (Fill out marginal cost and net gain columns)

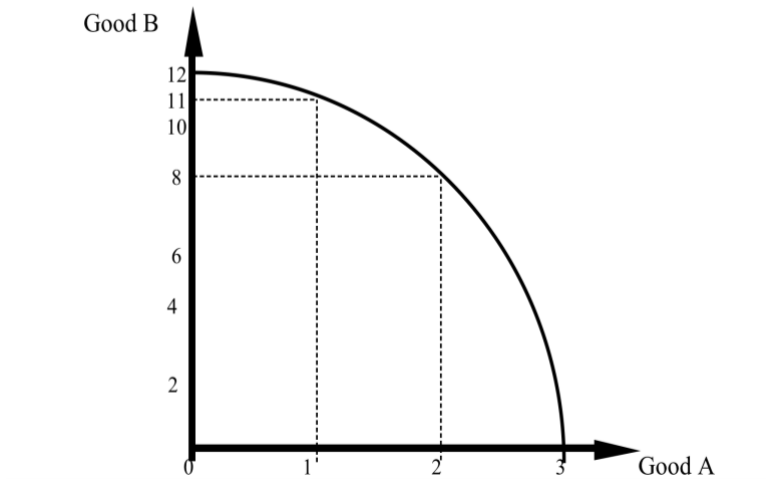
Pairs of Jeans	Marginal Benefit	Marginal Cost	Net Gain
1	55		
2	50		
3	42		
4	34		
5	24		
6	10		

3. The price of a ticket to a concert is \$100 and your marginal benefit of seeing the concert is \$110, would you see the concert assuming that you are rational?

Suppose that the price of tickets increases to \$115, would you see the concert assuming that you are rational?

4. Suppose you own two pairs of sneakers and the price of sneakers are \$50. Your marginal benefit is \$25. Would you buy another pair assuming that you are rational?
5. True or False and justify: If your marginal benefit of a given good increases as you consume more of the good, then you will always continue to consume more of this good.

6.



If this economy is presently producing 12 units of Good B and 0 units of Good A:

- a. The opportunity cost of increasing production of Good A from 0 units to 1 unit is the loss of ____ unit(s) of Good B.
- b. The opportunity cost of increasing production of Good A from 1 unit to 2 units is the loss of ____ unit(s) of Good B.
- c. The opportunity cost of increasing production of Good A from 2 units to 3 units is the loss of ____ unit(s) of Good B.

7. True or False: The law of increasing costs applies to any production possibilities curve.