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**Course Number:** BAM223

**Course Title:** PRINCIPLES OF ECONOMICS

**Unit:** 1 to 4

**Grading Criteria:**

* On each page: Student Name, ID Number, Course Number, Course Title, and Unit Number.
* Responses typed, using a standard font, 12-point type size, double-spaced, with overall neatness and readability.
* Restatement of the question and question number (exactly as stated in the Study Guide).

**Writing Instructions:**

* Each question must be written in a standard essay format.
* Use standard essay format: Introduction/Body/Conclusion.
* Demonstrate proper use of grammar, spelling, punctuation, citation style, etc.
* Demonstrate an understanding of course content and key concepts, as discussed in the text.
* Demonstrate ability to examine, assess, evaluate, and/or analyze course content and key concepts.
* Provided a clear and well-developed response to the question.
* Each question should be between 350 to 550 words or 1 to 2 pages.

**Citation Styles:**

* The majority of your response should be your own original writing based on what you have learned from the textbook. Be sure to provide a citation and a reference for any materials used, including the required textbook. The following points are designed to help you understand how to provide proper citations and references for your work:
	+ Sources are listed in two places.
	+ The first, a citation, is briefly listed within your answer. This includes identifying information that directs the reader to your list of references at the end of your writing assignment.
	+ The second, a reference, is at the end of your work in the list of references section.
	+ All sources cited should follow APA style and provide enough identifying information so that the reader can access the original material.

**Choose only one of the questions below to use for each question:**

 **QUESTION 1**

* Define the term “property rights” and explain why the lack of well-defined and enforceable property rights is detrimental to the smooth functioning of a market system.
* Describe the correct and incorrect economic analysis in the following statement: “The United Auto Workers Union has successfully negotiated a 9 percent increase in wages for its workers. This increase in the wage rate causes an increase in demand for automobiles, since many consumers now have greater incomes, and also a decrease in the supply of automobiles because the cost of production has increased. These effects cancel each other out, resulting in no change in equilibrium price and quantity in the automobile market.”
* Some environmentalists have criticized tradable emission allowances on the grounds that they give permit holders a license to pollute. Furthermore, environmentalists argue that those who sell their permits receive a monetary benefit from their contribution to polluting the environment. Use economic reasoning to evaluate this criticism.

**QUESTION 2**

* In what ways do economists and policymakers—those who believe that market-based reforms are the key to improving the health care system—criticize the Patient Protection and Affordable Care Act (ACA)?
* Why do corporate boards of directors sometimes link top managers’ compensation to the corporations’ stock prices? How might tying compensation too closely to stock prices create an incentive for corporate fraud?
* You are the manager of a theater. At present, the theater charges the same admission price of $8 to all customers, regardless of age. You propose a two-tier pricing scheme: $5 for children under the age of 12 and $10 for adults. You tell your supervisor that your proposal is likely to increase revenue. What must be TRUE about the price elasticity of demand if your proposal is to achieve its goal of raising revenue? Explain your answer.

**QUESTION 3**

* Why would a company continue to operate for many years, while never once turning a profit, instead of shutting down immediately? Using revenue and cost analysis, explain when the company would shut down.
* Equilibrium in a perfectly competitive market results in the greatest amount of economic surplus, or total benefit to society, from the production of a good. Why, then, did Joseph Schumpeter argue that an economy may benefit more from firms that have market power than from firms that are perfectly competitive?
* What are the differences between national income, personal income, and disposable personal income?

**QUESTION 4**

* Explain why you would rather be a borrower during a period of unexpected rising inflation and a lender during a period of unexpected declining inflation.
* Suppose you are an advisor to the Business Cycle Dating Committee. You are asked to look at macroeconomic data to evaluate whether the economy has entered a recession this year. Which data do you look at? How does the economy behave at the onset of a recession?
* Explain how the static aggregate demand and aggregate supply model gives us misleading results about the price level, particularly with respect to decreases in aggregate demand. Describe how the aggregate demand curve is different in the dynamic model as compared to the static model. Describe how potential GDP is different in the dynamic model as compared to the static model.