

# Handout 1

## 1 Introduction

- Haoche (Howard) Hsu
- Sections:
  1. A1 Mon. 7-8 pm (SST 220A)
  2. A2 Mon. 8-9 pm (SST 220A)
- Office Hour: Tue. 4-5 pm (SSPA 3182)
- Economics Learning Center: Tue. 3-4 pm (SST 165)
- My Website: <http://www.haochehsu.com> (Handout can be found at the *Teaching* section)
- Email: [haoche.hsu@uci.edu](mailto:haoche.hsu@uci.edu)
- Course Website: <https://canvas.eee.uci.edu/courses/19734>
- Homework deadlines (beginning of lecture):
  - HW1: Thu. October 31<sup>st</sup>
  - HW2: Thu. December 5<sup>th</sup>
- Exam Dates:
  - Midterm: Thu. November 7<sup>th</sup>
  - Final: Mon. December 9<sup>th</sup>

## 2 Opportunity Cost

- Opportunity Cost =  $\underbrace{\text{Explicit Cost}}_{\text{require to pay money}} + \underbrace{\text{Implicit cost}}_{\text{no cash involve}}$
- It is what must be given up to obtain some item = the **total cost** of obtaining something.

## 3 Exercises

1. A group of buyers and sellers of a particular good or service is called
  - (a) economy
  - (b) coalition
  - (c) competition
  - (d) market
2. *Pegatron* and *Foxconn* are the two assemble companies that produce iPhones and iPads. According to an investment report, there are 800,000 wokers in *Foxcon* and 190,000 workers in *Pegatron*. Suppose both companies can produce 4 iPhones in a minute. However, *Pegatron* can produce 12 iPads a minute, whereas *Foxconn* can produce 8 iPads a minute.

What is the opportunity cost of producing an iPhone for *Pegatron*?

- (a) 12 iPads

- (b) 4 iPhones
- (c) 3 iPads
- (d) 3 iPhones

For *Foxconn*, what is the opportunity cost of an iPad?

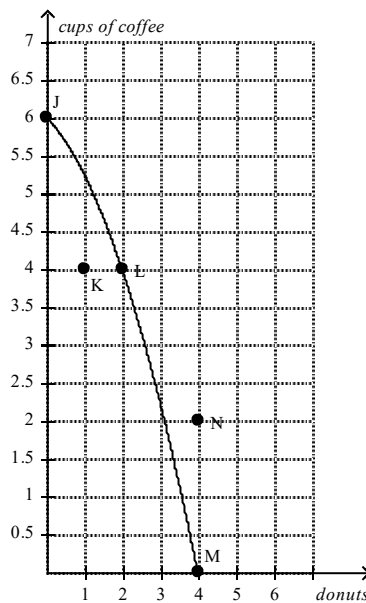
- (a) 0.2 iPhones
- (b) 0.5 iPhones
- (c) 2 iPhones
- (d) 4 iPhones

3. Lones would like to go on a three-days trip to *Yellowstone*. If he goes on vocation, he will have to pay \$390 for a flight to Bozeman from SNA, \$180 to rent a SUV from Enterprise and spend a total of \$200 on food at *Red Lotus restaurant*. If Lones does not go on vocation he will spend \$120 on food at *Din Tai Fung* during this three day period of time. Furthermore, if Lones goes on vocation, he will not take any PTO but take unpaid vocation days. If his daily salary is \$270, what is the opportunity cost of Lones' vocation?

- (a) \$1,700
- (b) \$920
- (c) \$1,460
- (d) \$930

4. One day Lorenzo finds \$100 bill lying on the ground. He can either spend all the money right away or make a deposit at *Barclays* and earn a 2% immediate cash back. What is the opportunity cost of spending the money now?

5. Refer to the figure below, what is the opportunity cost of moving from point *M* to point *L*?



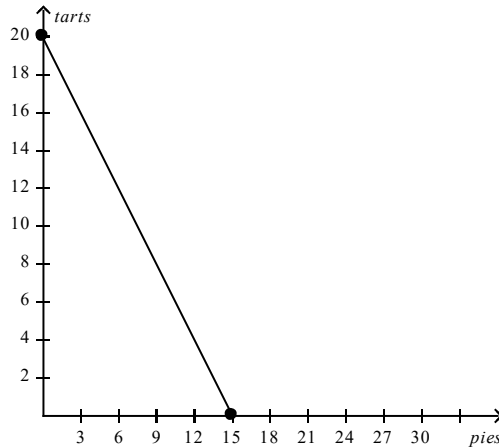
- (a) 2 donuts and 4 cups of coffee
- (b) 4 donuts
- (c) 2 donuts
- (d) 4 cups of coffee

6. Following the previous question, which points are feasible? feasible but inefficient?

7. Which of the following would likely be studied by a macroeconomist rather than a microeconomist?

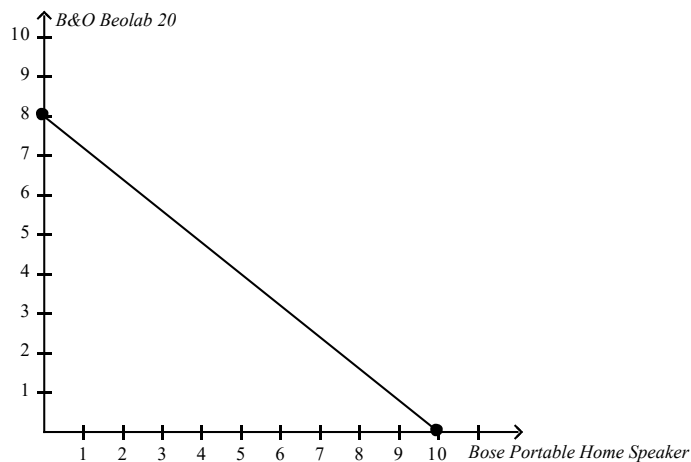
- (a) the effect of a war on automobile prices
- (b) the effect of an increase in the cigarette tax on smokers
- (c) the effect of an increase in the minimum wage on an economy's overall rate of unemployment
- (d) the effect of foreign competition on the domestic textile industry

8. Following is Daisy's production possibilities frontier:



If this is a frontier shown for 5 hours of work then how long does it take for Daisy to make a tart?

- (a) 0.25 hour
  - (b) 4 hours
  - (c)  $\frac{1}{3}$  hour
  - (d) 3 hours
9. Following the previous question, which of the following combinations of tarts and pies couldn't be produced in 5 hours?
- (a) 3 pies and 13 tarts
  - (b) 12 pies and 6.5 tarts
  - (c) 8.25 pies and 9 tarts
  - (d) 7 pies and 10 tarts
10. The following PPF represents the sound system production of *Bang & Olufsen* and *Bose* in a given month. What is the opportunity cost of a Bose speaker?



- (a) 8 B&O speakers
  - (b) 8 Bose speaker
  - (c) 0.8 Bose speaker
  - (d) 0.8 B&O speaker
11. What is the different between a linear PPF and a bowl-shape PPF?
12. Which of the following four graphs represents a different production possibility frontier than the other graphs?

