

Q4 p36 (Chapter 2)

	Lawn	Car	
Larry	1	1	per hour
Moe	1	<u>2</u>	comp adv Cars
Curly	<u>2</u>	1.	comp adv Lawns

Work 10 hours

- A) Lawns only 40
- B) Cars only 40
- C) Half 20 cars 20 Lawns
- D) -specialization 25 cars 25 lawns

	L	C
Curly	10L	5C
Larry	5L	5C
Moe	5L	10C
<hr/>		
Curly	20L	0C
Larry	5L	5C
Moe	0L	20C

Trade (exchange) improves all.

- assumptions
 - equal info (symmetric info)
 - transaction costs are low

NIST

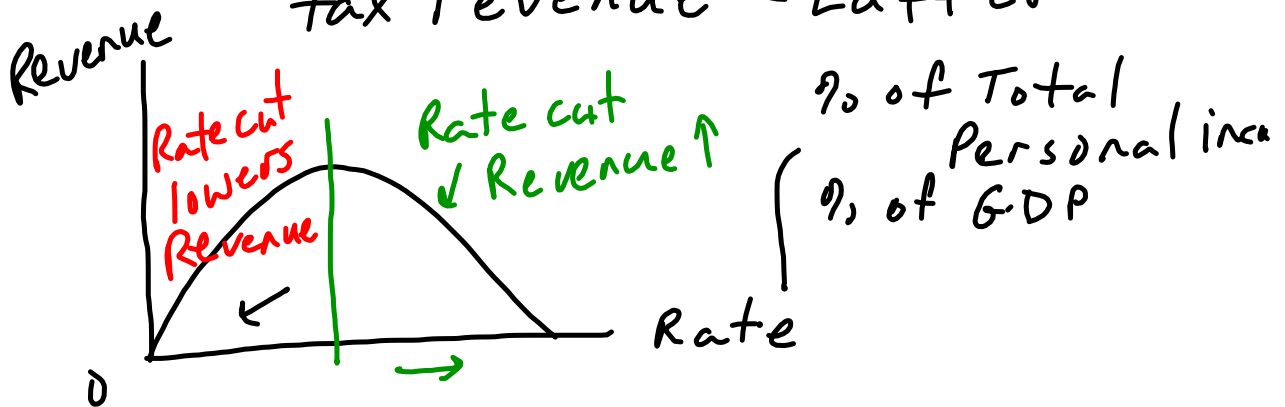
- ↳ search - time
- research
- verification - weights
- measures
- completed contract.
- (enforce)

transaction cost tax - any tax lower quantity.

Chapter 1 - intro
Principles 1-7

Chapter 2 - method - normative
- positive
↳ testable
data - true/false

Tax cuts → increase
tax revenue - Laffer



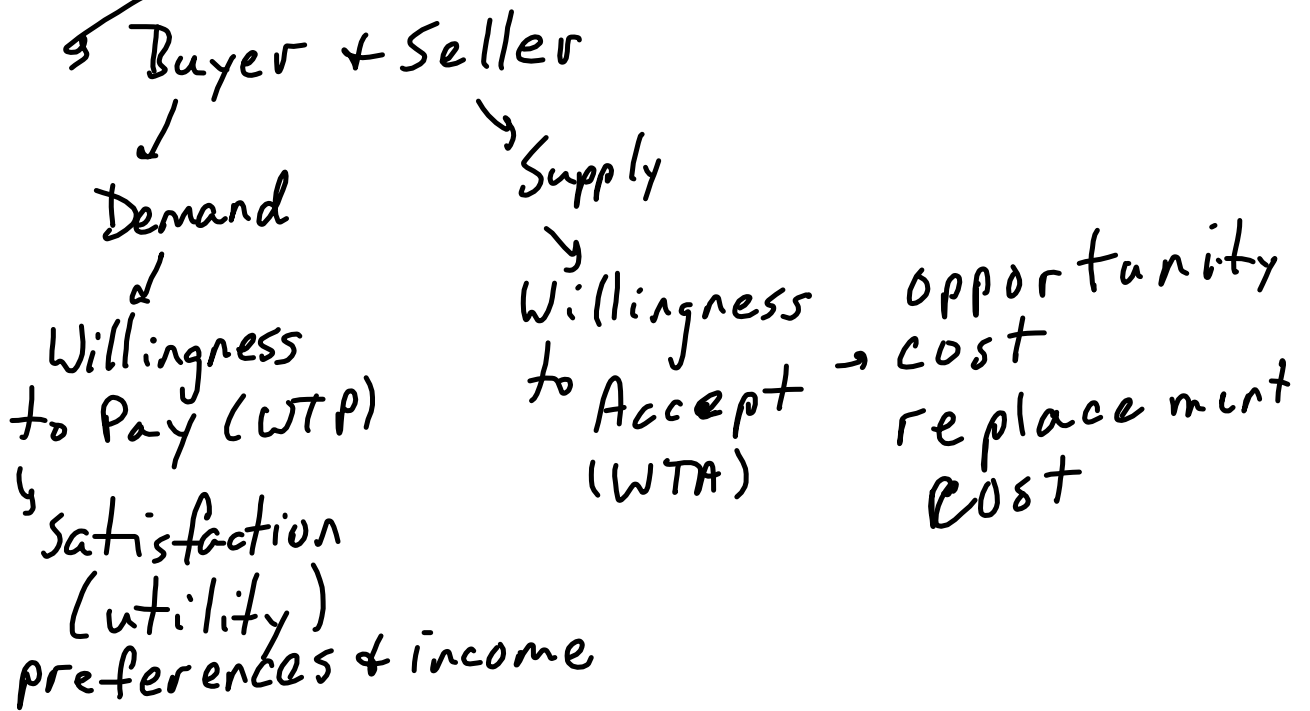
Chapter 3 - gains from exchange

- increase well being -
way to specialize
labor force. productivity

Growth → population growth &
→ productivity growth.]

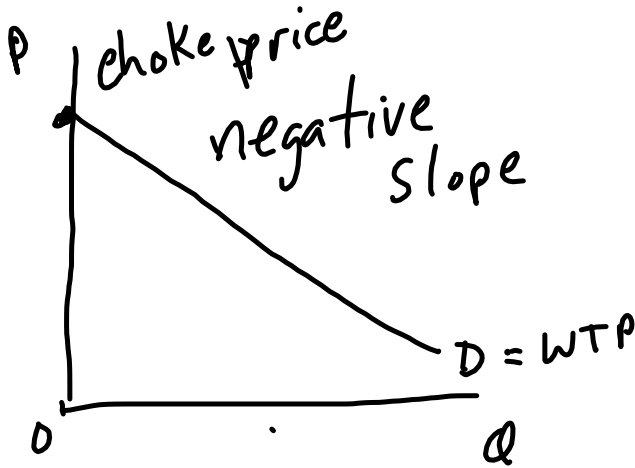
Section 3-1 Farmer
Rancher

Section II Markets Chapter 4
examples Chapter 6



Demand. - Law of Demand.

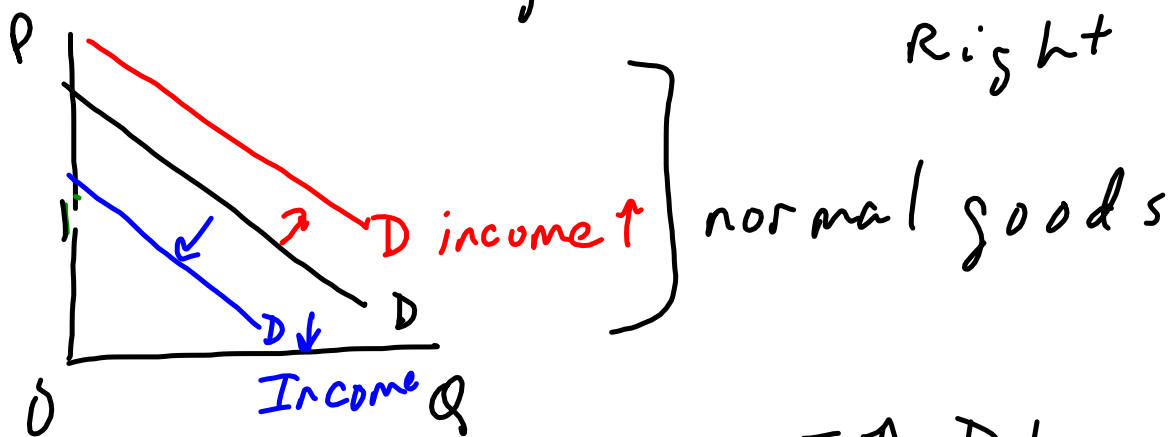
Individual - as $P \downarrow$ $Q \uparrow$



Veblen - status based on price

Where is D curve? - if we change price of good we move along D

- Income - normal goods $I \uparrow$ D shift to Right



Inferior goods $I \uparrow$ $D \downarrow$
negative effect

Prices of related goods

- substitutes - replace.

- complements - used together

perfect pairs - Left shoe
Right shoe

Price substitute \uparrow D good we looking
at \uparrow because a substitute \downarrow

Pepsi Coke

Expectations of future prices

[- storable good - if prices
expected \uparrow in future buy now
expect \downarrow in future delay purchase

Self-fulfilling