

Q5 p18

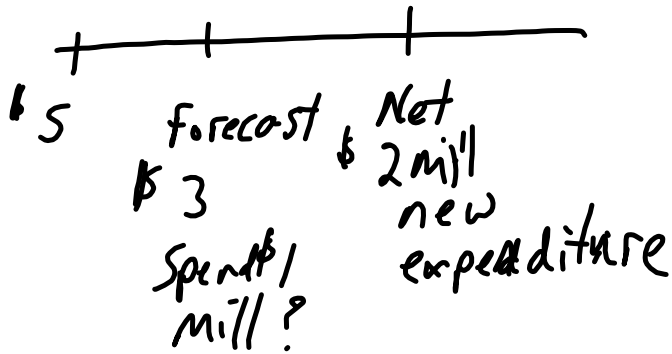
Sunk cost

Invested \$ 5 mill. new product - Sunk cost

Expected sales tot \$ 3 mill.

Req \$ 1 mill. on line

Do you spend \$ 1 mill? Yes



Q 2 Q4 p18  
 Q 4 p36

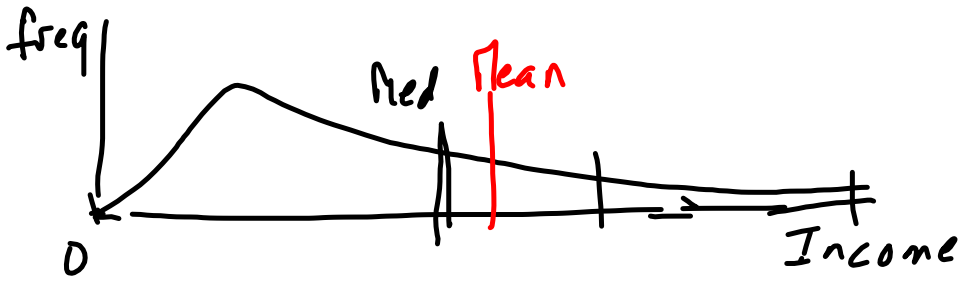
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Method - positive analysis - as it is  
 - normative " - as it should be

↳ value judgement → compare world  
 with perception of how it should  
 be

Bernie Sanders - inequality too much.

Median Household Income 3rd  
 " " Wealth 27th.



Positive → what are implications  
of inequality?  
are they bad? }  
Max

Argue in economics? - positive

- Theory - internal consistency

[ - math  
- graphs - rules of geometry

- verbal arg. story

↳ not obvious  
in consistency

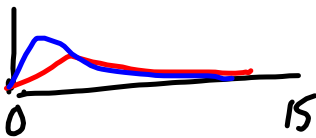
- Data to test theory

→ Hypothesis - data → statistical  
analysis - reject hypothesis

# Data - published sources

Private → Banks

→ Industry group - <sup>H</sup>  
↳ Automotive RLP. I.K ]



- wealth tax  
↳ older cars  
↳ ~~more~~ more pollution

Gov't → D. of Commerce

→ Bureau of Labor & Stats } Free  
- US Dept Ag.  
- Census Dept

Third party data →

→ collected for broad interests

Primary data - collected by researcher  
marketing

- surveys - environmental.  
- developing countries

- experiments in lab

- controlled.

- market → payoff to  
participation is  
earning in market

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Economy is complex

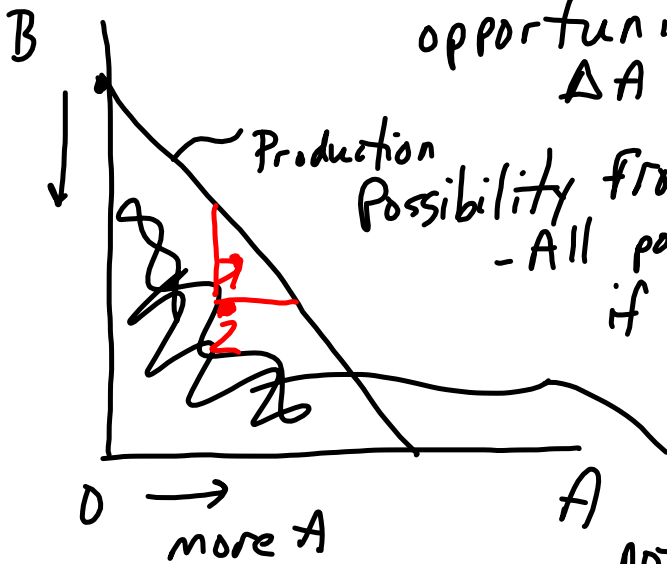
- Models - simplify complexity
- assumptions - assume away complications not direct interest



Graphs - model - output simple economy - tradeoffs.

2 goods - more of good A → req less of good B

opportunity cost of  $\Delta A \rightarrow -\Delta B$



Production Possibility Frontier  
- All possible A + B if use all resources

Feasible but not full use of resources

2 vs. frontier  
measure of underemployed.



Q4  
3 PPF - Larry. Moe Curly.  
washed cars  
cut lawns