Social Welfare 553

Problem Set One

1. (after Frank) What is the opportunity cost (or costs) of watching “The West Wing” Wednesday evening?

2. What kind of a drinker are you? Pick a beverage (water, beer, milk, etc.) and think about how much you value drinking this beverage over the course of the day

   a. Complete the following chart. Use dollars as your measure of utility.

   **Total and marginal utility for my consumption of ________**

<table>
<thead>
<tr>
<th>Number of drinks</th>
<th>Total utility ($)</th>
<th>Marginal utility ($)</th>
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<tbody>
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<td>1</td>
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   b. Draw a graph of your marginal utility relative to the price of your chosen beverage using Frank’s Figures 1.3 as a guide. You may not reach the point of negative marginal utility within five drinks—if not, then expand the graph beyond five.

3. Frank, Chapter 1, Problem 10 (Residents of your city are charged a weekly fee of $6 for refuse collection…)

4. Why does the University of Washington offer the U-Pass? Psychic bonus points for coming up with a graph showing the difference between the world with the UW U-pass and the world without it.
   [hint: what equilibrium is changed by the existence of the pass?]
5. (after Duncan) Classify the effect of each of the following as a decrease in the demand for fish (i.e., shift in demand curve) or a decrease in the supply of fish (i.e., shift in supply curve) or a change in both. Illustrate each on a diagram like the one below.

![Graph showing supply and demand curves]

a. The price of chicken falls; as a result households buy more chicken and less fish.

b. People buy less fish because of a rise in fish prices

c. Polluted waters kill millions of fish

d. Health researchers find out that the alleged health benefits of eating fish have been overstated.

e. The U.S. Congress kills funding of a program that subsidized the fishing industry

6. Frank, Chapter 2, Problem 9 (President Reagan negotiated a “voluntary” import quota on Japanese cars…)

7. Explain in your own words how the slope of an indifference curve provides information about how much a consumer likes one good relative to another (Frank Ch. 3 questions for review 5)

8. Frank, Chapter 3, Problem 1 (The Acme Seed Company charges $2/lb for the first 10 lb you buy of marigold seeds each week…)