B.E. International Program

Faculty of Economics, Thammasat University

EE 211 PRINCIPLES OF MICROECONOMICS
SEMESTER 1/2012
PROBLEM SET 1

INSTRUCTION

1. The PROBLEM SET 1 will help you a great deal such that you will be able to start thinking and writing up economically.
2. This problem set concerns about a fundamental economic concept of opportunity cost, economics' methodology, and one of the most important concepts: Demand and Supply.
3. Your effort on the problem set would greatly contribute to your success in the forthcoming quiz 1. We strongly encourage you to ATTEMPT ALL QUESTIONS.
4. You are freely allowed to discuss the problems with your colleagues. But you should attempt to write your solutions INDIVIDUALLY as it would benefit you in medium and long term.
5. There is no extrinsic reward, i.e., scores on any problem set. It is up to your intrinsic motivation whether you would like to do it or not. We are willing to check up your solution to the problems and correct your mistakes (if any) if you would love to.
6. If you have any question, contact your instructor by available communication channels.

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1. "Warren Buffett is one of the world's wealthiest men, worth billions of dollars. For someone like Buffett, the principle of opportunity cost simply does not apply". Agree or Disagree? Discuss.

2. Distinguish between Positive Economics and Negative Economics. Also, provide examples on positive economic questions and normative economic questions.

3. Why a demand curve is downward sloping? Distinguish the difference between "*an increase in quantity demanded*" and "*an increase in demand.*" Indicate all possible factor(s) that might cause each of the two changes.

4. What is the importance of saying or writing ‘ceteris paribus’ in economic theory?

5. Why do the prices of some goods, like air plane tickets, go up during the months of heaviest consumption, while others, like mangoesteen, go down?

6. What would happen to the equilibrium price and quantity in the new car market if both of the following events occur: (i) price of gasoline continues to rise and (ii) general consumers expect that economy would get back to the right track very soon?

Row, row, row your boat,
Gently down the stream.
Merrily, merrily, merrily, merrily,
Life is but a dream.

Learning is like rowing upstream: not to advance is to drop back.
~Chinese Proverb~