1. Define, in your own words, the following concepts

   a. An economic model
   b. Marginal analysis
   c. Normative and Positive economics
   d. Factors of Production
   e. Opportunity cost
   e. Comparative advantage

2. Problem 4, chapter 1, page 21 K&W

3. Problem 2, chapter 2, page 42 K&W

4. Problem 4, chapter 2, page 43 K&W

5. In the United States, the opportunity cost of 1 ton of corn is 50 bicycles. In China, the opportunity cost of 1 bicycle is 0.01 ton of corn.

   a. Determine the pattern of comparative advantage.

   b. In autarky (no trade), the Unite States can produce 200,000 bicycles if no corn is produced, and China can produce 3,000 tons of corn if no bicycles are produced. Draw each country’s production possibilities frontier assuming constant opportunity cost, with tons of corn on the vertical axis and bicycles on the horizontal axis.

   c. With trade, each country specializes its production. The United States consumes 1,000 tons of corn and 200,000 bicycles; China consumes 3,000 tons of corn and 100,000 bicycles. Indicate the production and consumption points in your diagrams, and use them to explain the gains from trade.

6. Problem 1, chapter 3, page 90 K&W

7. Problem 2, chapter 3, page 90 K&W

8. Problem 10, chapter 3, page 91 K&W

9. Problem 12, chapter 3, page 91 K&W

10. Problem 13, chapter 3, page 92 K&W