

ECON 1P91 Assignment 2

January 15, 2020

Instructions: Please write out your answers clearly, and submit them to your TA, at the start of your tutorial. The assignment is due during the week of January 20-24, 2020.

You may type your assignment, but *only hard copies will be accepted*. If you use external sources for your essay, then be sure to cite them using any of the accepted citation styles (APA, Chicago, MLA, etc.).

Short Essay (70%)

1. Sigmund Freud, in his 1930 essay *Civilization and Its Discontents*, argues that the sublimation of sexual desire leads to the mental energy required for advances in civilization: science, art, politics, etc. In particular, he writes,

“Sublimation of instinct [including sexual instinct] is an especially conspicuous feature of cultural development; it is what makes it possible for higher psychical activities, scientific, artistic, or ideological, to play such an important part in civilized life... it is impossible to overlook the extent to which civilization is built up upon a renunciation of instinct...”

How would an economist phrase Freud’s argument, in terms of opportunity costs?¹ Might this explain the development of monogamous marriage as an institution?² Explain in 500 words or less.

Short Response (30%)

1.. Consider each of the following pairs of goods. Which good, of each pair, has a higher use value? Which one has a higher exchange value? You do not need to explain your

¹Hint: If a person spends time pursuing their sexual interests, then they have less time available to cultivate themselves.

²There is a correlation between monogamy and indicators of human progress, as anthropologists document. See Brown, Andrew “Is monogamy the root of all equality?” *The Guardian*, July 26, 2010: <https://www.theguardian.com/commentisfree/andrewbrown/2010/jul/26/religion-polygamy-monogamy-psychology-crime> [accessed September 14, 2019].

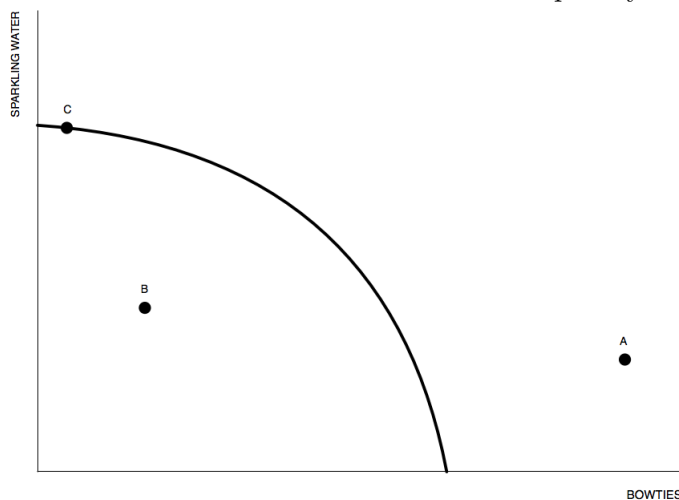
answer. (5%)

- a) Submarines vs. tables.
- b) Pewdiepie t-shirts vs. water.
- c) Condoms vs. underwear.
- d) Books vs. mansions.
- e) Cribs vs. luxury vacations.

2. Consider the Production Possibilities Frontier (PPF) for a country, Theophili. Using a diagram, show whether each of the following events causes the PPF to contract, expand, or not change at all. Assume that Theophili can either produce candles or liturgical books. (5%)

- a) The country experiences immigration of skilled workers.
- b) An earthquake destroys half of the country's factories, and kills half of its workers.
- c) A new technology improves the production process of both candles and liturgical books.
- d) Theophili transitions from a dictatorship to a democracy with well-entrenched property rights.
- e) The country introduces tariffs (taxes) on imports, hence reducing its trade with other nations.

3. Consider the Production Possibilities Frontier shown below. Classify each of the following points as feasible and infeasible. Of the feasible points, which are productively efficient and inefficient? You do not need to explain your answer. (6%)



- a) A.
- b) B.
- c) C.

4. What is the opportunity cost in each of the following situations? You do not need to explain your answer, but you should be as precise as possible. (14%)

a) “I have an option between three jobs: I can work as a professor and make \$150,000 per year, I can work as a consultant and make \$200,000 per year, or I can work as an investment banker and make \$300,000 per year. If I choose to work as a professor, and I only care about money, what is my opportunity cost?”

b) “I do not care about money, but only about pleasure. It gives me the greatest pleasure to serve God as a priest. Following that, it gives me great pleasure to drive fast cars. Finally, it gives me the least pleasure to start a business and make lots of money. What is my opportunity cost of starting a business and earning much money?”

c) Suppose that John is an elite athlete, and has a choice between either playing for the NBA or the NHL. In either case, he would earn a salary of \$1,000,000. Assuming he only cares about money, what is his opportunity cost of becoming a NHL hockey player?

d) “It is a Wednesday night, and I have a choice between two actions: studying math, or studying economics. What is my opportunity cost of studying economics?”

e) “There are five places I could go for vacation. My favourite spot would be the Amalfi Coast, followed by Bhutan, and then Kentucky. Tied for last are London and Toronto. Money is no barrier, and I care only about the pleasure. What is my opportunity cost of going to the Amalfi Coast?”

f) “I can either spend my \$500 now, or save it and earn \$50 in interest over two years. What is my opportunity cost of spending my money now?”

g) Assume the following annual costs of attending university: tuition (\$10,000), books (\$2,000), and housing/maintenance (\$25,000). If you did not attend university you would work as a journeyman plumber, with a salary of \$30,000 and an annual housing/maintenance cost of \$25,000. What is your opportunity cost of attending university?