Principles of Economics
Problem Set 4

1. Deaton won the Nobel Prize of Economics in 2015. Write one page about his works in Economics and why he has been awarded the Nobel Prize.

2. Reading: Mankiw’s book chapters 5

3. Reading: Becker’s book chapter 3 (lectures 6-8)

4. Reading: Dr Nili’s book chapter 1

5. Real World: Use Iran’s micro data and show the fraction of income spent on food in different quantiles.

6. Real World: Look up the balance sheets, Income statement and cash flows for the last quarter of the following companies and put them together in a table for comparison or make plots. Especially determine their costs and revenues. What kind of costs do you observe? Try to find out more detailed information about current costs of these firms like wage bills, rents they pay on capital, R&D. Compare the cost shares.

   Companies:
   1- Google
   2- GM
   3- Goldman Sachs group

7. True/False/Uncertain:

   (a) An increase in the price of gasoline will lead some car owners to switch to smaller more fuel-efficient cars. These owners might end up driving more miles, and even use more gasoline, than they did before the gasoline price increase.

   (b) A breakout of mad cow disease that makes it riskier to consume beef would reduce the consumption of beef more by persons who initially consumed relatively large quantities of beef.
(c) A person volunteers to provide blood for hospitals when all blood is acquired by voluntary donations. Then the system changes to allow hospitals to also purchase blood and this person stops donating it. Such behavior cannot be derived from utility maximization if utility does not directly depend on whether blood can be purchased.