Youngberg

Econ 304—Bethany College

**Homework 07**

Answer all the following on a ***typed, stapled*** (if applicable)separate sheet of paper. Make sure that you justify your answers, use your own words, and show your work. All questions are equally weighted.

1. I mentioned two examples of the tragedy of the anti-commons—bio-patents and land ownership for expanding runways. Describe a different example, making sure to explain how you know that underutilization of the resource comes from too many property rights. Do not use hypothetical examples.
2. We discussed double marginalization in class, going over the math Spengler used to illustrate why one monopoly is more socially beneficial than two monopolies at different stages of production. Explain why this idea makes sense without using math. (Thinking in terms of externalities would be helpful.)
3. In principles of microeconomics this week, I will pass out to each student a puzzle piece and some poker chips. Each chip represents one extra credit point on homework which they will cash in at the end of the class. Each puzzle piece will be worth one point as well, also to be cashed in at the end of class. But if any one student collects all twenty-five puzzle pieces, the assembled puzzle is worth 100 points at the end of class. Students can borrow points from me, incurring negative extra credit points, to get chips for trading purposes. Predict what will happen and justify your answer. (NOTE: This is an experiment which I’ve never tried nor have heard of anyone trying. The quality of your answer will based solely on your justification.)
4. Why does a large β suggest a lot of nondiversifiable risk? Provide an example of an investment which probably has a lot of nondiversifiable risk. Justify your answer.
5. Recall Lecture 28 depicts a yield curve with a slightly convex shape in the first 100 months to maturity. How does the curve normally look and why? What would cause it to be so strangely shaped now and why?