

**Economics Assignments:  
Assignment No. 1**

1. Please write a brief but complete answer to the following questions:
  - a. How is economics like a science?
  - b. Why is economics a “social” science?
  - c. Why do economists sometimes offer conflicting advice to policymakers?
  - d. Should an economic model describe reality exactly?
  
2. Discuss each of the following statements from the standpoints of equity and efficiency.
  - a. “An even more progressive tax-subsidy system should be implemented in the U.S., so the government can better redistribute income from the richer to the poorer”.
  - b. “When workers are laid off, they should be able to collect unemployment benefits until they find a new job.”
  
3. Classify each of the following statements as positive or normative. Explain.
  - a. In a competitive market, when quantity supplied exceeds quantity demanded, price tends to fall.
  - b. The economy faces a short-run tradeoff between inflation and unemployment.
  - c. When determining tax rates, the government should take into account the income needs of individuals.
  - d. Lower tax rates encourage more saving. Based on this argument, the government should decrease taxes in order to promote economic growth.
  
4. Classify the following topics as relating to microeconomics or macroeconomics.
  - a. The relationship between the inflation rate and the unemployment rate
  - b. The impact of higher investment on economic growth
  - c. A monopolist’s decision about how many units to sell
  - d. A family’s decision about how much income to spend in housing
  - e. The effect of government regulations on public transportation usage
  
5. STATA exercise: After reading the paper by Gwartney, J. and C. Haworth, “Employer costs and discrimination: The case of baseball” use the file Dataset1.dta, to do the following:
  - a. Create summary statistics for the three variables Black47, Black52 and Won.
  - b. Create a graph with Won on the vertical axis and Black47 on the horizontal axis.
  - c. Run a simple regression with Won as the dependent variable and Black47 as the independent variable.
    - i. What percent of the total variation in the variable Won is explained by Black47?
    - ii. What is the impact of an additional black player year on the percentage of games won?
    - iii. Test the null hypothesis that Black47 has a zero effect on the percentage of games won using a 5% level of significance.
  - d. Add the predicted regression line to the graph you drew earlier.