

## Unit 5 Quiz A

Randomly select 3 questions to ask members of the group requesting the next set of assignments. If they get all questions correct, give them the entire stack of quizzes and assignments so that they can quiz the next group. If they get any question wrong, send them back to their seats to review and then try again in 10 minutes or more.

1. What are the two main tradeoffs that occur when pharmaceutical safety regulations become too strict?

*Answer: Drug lag and drug loss. Drug lag is the delay in getting medications to patients who need them, and drug loss occurs when high costs discourage companies from developing new drugs altogether.*

2. Why might it be possible to have “too little crime,” and what is the primary tradeoff involved in attempting to reduce crime to zero?

*Answer: Reducing crime to zero would require extensive policing, surveillance, and security measures that come at the cost of personal freedoms and privacy. The primary tradeoff is between safety and freedom.*

3. During a recession, why does college enrollment increase even though tuition costs remain the same?

*Answer: During a recession, the opportunity cost of attending college decreases because jobs are scarce and unemployment is high, meaning the income foregone by attending school instead of working is lower.*

4. What is the definition of “opportunity cost” and how does it differ from direct monetary costs?

*Answer: Opportunity cost is the value of the next best alternative that you give up when making a decision. Unlike direct monetary costs (like tuition), opportunity costs include non-monetary factors such as time, experiences, and potential benefits lost.*

5. Using marginal thinking, how would you determine the optimal number of employees to hire for a business?

*Answer: The optimal number of employees is where the marginal benefit (value each additional worker brings in productivity or revenue) equals the marginal cost (their wage and associated expenses). Hiring should continue until  $MB = MC$ .*

6. When deciding how much to study for an exam, what factors represent the marginal benefit and marginal cost, and at what point should you stop studying?

*Answer: The marginal benefit is the increase in your expected exam score, while the marginal cost is the time and effort invested. You should stop studying at the point where  $MB = MC$ , as studying beyond this point means the additional effort isn't worth the small improvement in your score.*