

Econ 2362 Assignment 3

First, there is a very BIG difference between the following two statements.

- a) "I don't understand."
 - b) "I don't understand yet."
- And the following two statements:
- c) "I can't figure this out."
 - d) "I can't figure this out yet."

Choose to use statements b) and d) when you face something that is challenging. These statements commit us to work to understand and 'figure things out'. Statements a) and c) allow us to be lazy and defeatist. Avoid them. ALWAYS add the word 'yet' when you face something that you don't understand and you want to (or need to understand).

1. Resubmit Assignment 2 with all answers corrected. Here are the guidelines.
 - a) Check through your assignment and check the answer key for each question.
 - b) If your assignment 2 was 100% correct, resubmit the same work. Add a note to say this was 100% correct to save me time when grading.
 - c) If you got 100% correct on Assignment 2, enjoy the rest of your reading week. You already earned a break.

If your assignment was not 100% correct, follow these guidelines for the parts you need to redo:

- d) You can use the answer key as a guide, but you may not copy it word for word. (Obviously, the graphs will be the same, study them!)
- e) Make sure that you understand how the answers are found. Similar questions will probably appear on the 2nd exam and definitely on the final exam. I am around if you want to meet and work on problems.
- f) You can copy and paste your correct answers from your previous submission of assignment 2.

2. Use the following table to answer questions:

Output per hour	Cooking (servings)	Washing dishes (sets)
Corta	20	18
Mary	12	10

- a) State whether the following statement is True, False, or uncertain:
Given the information in the table, an efficient division of labour would have Corta and Mary alternate (take turns) cooking dinner and washing up.
- b) Draw a production possibility frontier (ppf) for 2 hours for Corta and Mary, where they specialize in the activity in which each has a comparative advantage. The horizontal axis should be output from cooking.
- c) Buri drops by and washes an output of 8 sets of dishes while chatting with Mary and Corta. Draw the ppf for 2 hours with Buri's contribution.

3. Use the following table to answer the questions.

Payoff matrix		
Corta's strategies (choices)		
Mary's choices below	Doctor	Nurse
Teacher	(80, 150)	(70, 90)
Professor	(140, 130)	(160, 80)

Recall: Payoffs are always arranged as (Row person's payoff, Column person's payoff)

Definition: A dominant strategy is a strategy that a player will choose no matter what the other player chooses.

Important result: If there is a dominant strategy for a player, it will always be part of the Nash equilibrium in pure strategies.

- a) Does Mary have a dominant strategy? _____ (Yes / No) If yes, it is _____
- b) Does Corta have a dominant strategy? _____ (Yes / No) If yes, it is _____

c) List the Nash equilibrium (equilibria) if one or more exists.