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1:

(Question 1.4 from Textbook) According to the FBI Crime Statistics, there were more than 5000 bank robberies in the US in 2012. The FBI claims that banks have allowed themselves to become easy targets by refusing to install clear acrylic partitions, called *bandit barriers*, that separate bank tellers from the public. According to a special agent with the FBI, “Bandit barriers are a great deterrent. We’ve talked to guys who rob banks, and as soon as they see a bandit barrier, they go find another bank.” Despite this finding, many banks have been reluctant to install these barriers. Wouldn’t banks have strong incentives to install bandit barriers to deter robberies? Why, then, do so many banks **not** do so?

**Solutions:** As noted in the chapter, the economic incentive to banks is clear— it is less costly to put up with bank robberies than to take these additional security measures. The marginal cost of adding the additional security is greater than the expected marginal benefit.

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2:

(Question 2.6 from Textbook) Consider an organization that exists to help the poor. The members of the organization are discussing alternative methods of aiding the poor, when a proponent of one particular method asserts that: “If even one poor person is helped with this method, then all of our time and money would have been worth it.” If you were a member of this organization, how would you reply to this assertion?

**Solutions:** Spending resources in a way that helps only one poor person is likely to be an ineffective way of helping poor people. How many poor people could be helped by using another method of helping the poor? The opportunity cost of using one method is the number of poor people that could be helped by using the best available alternative method.

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3:

(A permutation of Question 4.3 from Textbook) Classify the following statements into positive and normative statements:

1. All other things being equal, a market economy will outperform a centrally planned economy.  
**Normative, note “outperform”. Unclear what is used to justify the fact that a market economy is “better”.**
2. Rising wheat prices will increase bread prices. **Positive.**
3. There appears to be a general consensus amongst voters that governments ought to intervene in order to influence the pattern of industrial activity. **Tricky. Positive, but about a normative issue.**
4. The federal government should spend more on AIDS research. **Normative.**
5. The price of coffee at Starbucks is too high. **Normative.**
6. A 50-cent-per-pack on cigarettes will lead to a 12 percent reduction in smoking by teenagers.  
**Positive.**