|  |  |  |
| --- | --- | --- |
| **Kingdom of Saudi Arabia**  **Ministry of Education**  **Saudi Electronic University** | A picture containing text, outdoor, sign  Description automatically generated | **المملكة العربية السعودية**  **وزارة التعليم**  **الجامعة السعودية الإلكترونية** |

**College of Administrative and Financial Sciences**

**Assignment 1**

**Macroeconomics (ECON201)**

**Due Date:16 March2022 @ 23:59**

|  |  |
| --- | --- |
| Course Name:**Macroeconomics** | Student’s Name: |
| Course Code:**ECON201** | Student’s ID Number: |
| Semester: II | CRN: |
| Academic Year:**2021-22-2nd** | |
|  | |

**For Instructor’s Use only**

|  |  |
| --- | --- |
| Instructor’s Name: | |
| Students’ Grade: **00/10** | Level of Marks: High/Middle/Low |

**General Instructions – PLEASE READ THEM CAREFULLY**

* The Assignment must be submitted on Blackboard (**WORD format only**) via allocated folder.
* Assignments submitted through email will not be accepted.
* Students are advised to make their work clear and well presented, marks may be reduced for poor presentation. This includes filling your information on the cover page.
* Students must mention question number clearly in their answer.
* Late submission will NOT be accepted.
* Avoid plagiarism, the work should be in your own words, copying from students or other resources without proper referencing will result in ZERO marks. No exceptions.
* All answered must be typed using **Times New Roman (size 12, double-spaced)** font. No pictures containing text will be accepted and will be considered plagiarism).
* Submissions without this cover page will NOT be accepted.

**Chapter 4 & 6: Case Study: Supply, Demand, and Market Equilibrium:(10 Points)**

In the first assignment for the Macroeconomics course, the students are required to choose a specific area from the subject and answer the questions given, upon successful completion of the assignment; the student should be able to achieve the following learning outcomes:

**Learning Outcomes:**

1. Define the institutional framework of macroeconomic policymaking. [CLO 1.1]
2. Analyze economic problems within the conceptual framework of mainstream macroeconomics. [CLO 2.1]

**Reference Source:**

**Textbook: -**Mankiw, N. Gregory. *Principles of Macroeconomics*, 6th ed. Mason, OH: South-Western Cengage Learning, 2011. ISBN: 9780538453066 (hard copy); ISBN: 9781115468523 (eBook)

**Case Study:1(5 Points)**

# Please read the case “Two Ways to Reduce the Quantity of Smoking Demanded” from Chapter 4 “Supply, Demand, and Market Equilibrium” Page: - 71given in your textbook –“Principles of Macroeconomics”*.*The case study presented in the chapter discussed cigarette taxes as a way to reduce smoking. Now think about the markets for other tobacco product such as cigars and chewing tobacco. and Answer the following Questions:

**Questions:**

* 1. Are these goods substitutes or compliments for cigarettes? (100 – 150 words –1.25 point)
  2. Using a supply and demand diagram, show what happens in the markets for cigars and chewing tobacco if the tax on cigarettes is increased. (100 – 150 words –1.25 point)
  3. If policy makers wanted to reduce total tobacco consumption, what policies could they combine with the cigarette tax? (100 – 150 words –1.25 point)
  4. How can we reduce the consumption of cigarettes in economics?(100 – 150 words - 1.25point)

**Important Note: -** Support your submission with course material concepts, principles, and theories from the textbook and **at least two scholarly, peer-reviewed journal articles.**

**Case Study:2(5 Points)**

Please read the case “**The Minimum Wage**” from Chapter 6 “Supply, Demand, and Government Policies” **Page: - 117**given in your textbook **–“Principles of Macroeconomics”.**A case study discusses the **federal minimum-wage law.**

**Questions:**

* 1. Suppose the minimum wage is above the equilibrium wage in the market for unskilled labor. Using a supply and-demand diagram of the market for unskilled labor, show the market wage, the number of workers who are employed, and the number of workers who are unemployed. Also show the total wage payments to unskilled workers. (100 – 150 words – 1.25 point)
  2. Now suppose the secretary of labor proposes an increase in the minimum wage. What effect would this increase have on employment? Does the change in employment depend on the elasticity of demand, the elasticity of supply, both elasticities, or neither? (100 – 150 words – 1.25 point)
  3. What effect would this increase in the minimum wage have on unemployment? Does the change in unemployment depend on the elasticity of demand, the elasticity of supply, both elasticities, or neither? (100 – 150 words – 1.25 point)
  4. If the demand for unskilled labor were inelastic, would the proposed increase in the minimum wage raise or lower total wage payments to unskilled workers? Would your answer change if the demand for unskilled labor were elastic? (100 – 150 words –1.25 point)

**Important Note: -** Support your submission with course material concepts, principles, and theories from the textbook and **at least two scholarly, peer-reviewed journal articles.**

**Answer:**