What is wrong with the picture?

Starting at slide 2, look at the definition of a key economic concept. Now check out the following picture and identify what is wrong with it. Try to write a couple of lines for each one.

Description;

Things that we cannot stop people accessing are a non-excludable good, in that non-payers can't be prevented from enjoying them. Other examples of non-excludable goods are national defence, fireworks, and lighthouses. Private firms tend to under produce non-excludable goods because customers have little incentive to pay for them.

Concept: **Public good.**

What's wrong with this picture?

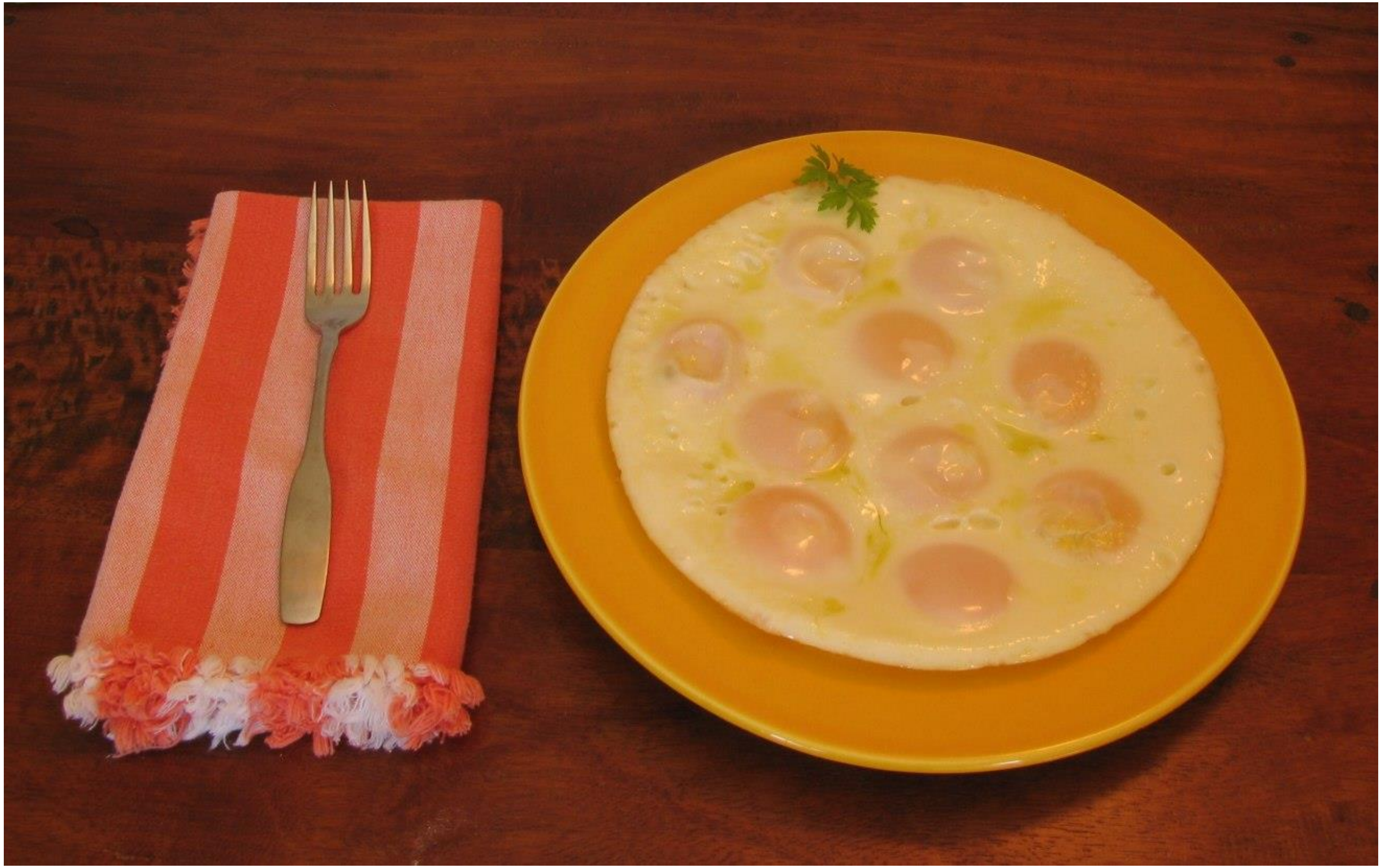
Description, How can the man and the boy get done more quickly? The father can mow the lawn faster, AND sweep faster. He has an absolute advantage in both jobs. Could the boy easily do both or do one of the tasks better than the other? This is called comparative advantage.

Concept: comparative advantage, absolute advantage

What's wrong with this picture?

Description The law of diminishing marginal utility says that as a person increases consumption of a good, holding consumption of other goods constant, the marginal utility he or she gets from each additional unit of that good declines. This suggests that the marginal utility of a second item will be smaller than that of the first, and the marginal utility of the third will be smaller still. For most people, the marginal utility of the last item would likely be negative.

Concepts: Law of diminishing marginal utility (or benefit)



What's wrong with this picture?

Description You'd think that cinemas would charge students and children more than adults, since kids are more likely to spill popcorn and make noise. But cinema owners know they can earn more revenue by charging students and children less. The reason is that kids are more likely to have less money and therefore are less likely to come to the movies if the prices are high.

Concepts: price discrimination

What's wrong with this picture?

Description

Hint; Adverse selection suggests that speeders will be more likely to sign up for this kind of insurance, while moral hazard suggests they'll have little incentive to slow down once they're insured.

Would insurance companies offer this type of insurance?

Concepts: **Incentives, adverse selection and moral hazard**.

What's wrong with this picture?

Descrition
The Law of One Price says that identical goods in efficient markets must have only one price in equilibrium.

Concept: **Equilibrium**.

What's wrong with this picture?

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Description

Most of the homes on this lakefront are expensive and built close to each other, so it's likely that the lakefront lots are highly valued. This, in turn, suggests that the opportunity cost of living in the shack is high. Hint - What are shack owners likely to do?

Concept: **opportunity cost**