

Economics 1B: Introduction to Microeconomics
Professor David Lang

Group Assignment #4
Murder at the Margin, Chapters 10-12

As a group, answer these questions to the best of your ability. I expect each group to turn in 1 set of answers with everyone's name on it. Answers should be typewritten, except for diagrams which may be sketched by hand. Each group should keep a copy of the answers for discussion in class.

1. In Chapter 10, Spearman thinks about the fundamental concept in economics, "there is no such thing as a free lunch." Discuss the situation where this is utilized in the novel. If I were to bring in pizza for class one day and not charge you anything for it, has this fundamental concept been proven false? Why or why not? Consider the expression, "you can't have your cake and eat it too" and discuss this in terms of economics as well.
2. On pages 91-94, Spearman and Dyke converse about the concept of rationality. What are they talking about here? How do their definitions of "rationality" differ? How does your group feel about the relationship between ethics, religion, and rationality?
3. At various times in Chapter 11, Spearman ponders the notion of planned and unplanned economies. Summarize his thoughts on this issue. He also quotes Adam Smith and Frederic Bastiat. Adam Smith is best known for a book in which he discusses what is known as the "invisible hand doctrine." Briefly, identify what book I am referring to and discuss what this doctrine is saying and what this has to do with the earlier part of this question. (You do not need to go read Adam Smith's book directly, there are many easy-to-obtain summaries.)
4. What is the inventory problem that Spearman discusses? On pages 106-107, Spearman and Mrs. Doakes discuss the possible depletion of fish in the coming years and the causes of this situation? Why does this happen according to Spearman? Why would this not happen with Beef? In your answer, discuss 2 other goods that, like fish, have this "problem of the common pool" and 2 that, like beef, are not confronted with this problem.
5. In Chapter 12, Spearman deduces that Virginia Pettingill Foote is not the murderer. How does he arrive at this conclusion? What economic concepts does he use? Do you agree with his analysis?