

Write a short essay (one to three paragraphs each) for the following questions.

1. What are the three reasons that division of labor increases the productivity in an economy?

Division of labor increases productivity in an economy because people are given specific jobs to follow therefore they can dedicate more effort and time on the job. Secondly it gives more of an organized structure this is due to the fact that people are more aware of the task they have been handed therefore the organization will help increase productivity. The third reason why division of labor increases productivity is because people are more likely to become experts in that field therefore they will have more knowledge about what they are doing which will increase productivity.

2. What are three major categories of economic trade-offs that people face in the course of life?

Consumption, labor-leisure and intertemporal. Consumption is the goods and services used by people for example a household. Consumption is the ideology of how much people consume of a particular item. Labor-leisure is when workers don't get compensated for the work they produce. Labor and leisure work together in this category because it says the more labor produce the more it will comprehend with leisure. The last category is intertemporal. Intertemporal is an individual's present decisions having a later affect on the individual's future. This could mean an individual could invest \$100 in stocks now and later in the future their value of stocks could rapidly increase.

3. In the budget constraint model of how people make economic choices, why do people make choices that lie on the budget constraint, not inside or outside the constraint?

The budget constraint model is based on a budgeting scheme for an individual. It's based on what the individual can afford given all factors. People make choices that lie on the budget constraint because the budget constraint gives the individual an overview if they can afford the service or the goods.