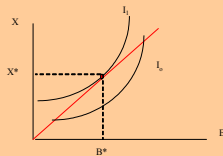


## The Economics of Bads



## The Economics of Bads

- My wants are many but they do not include hard work.

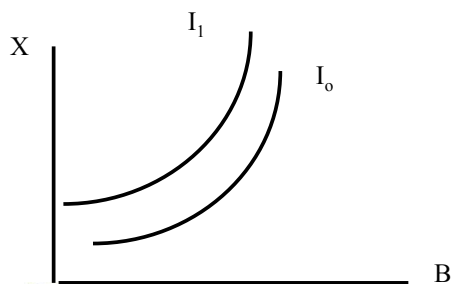
## The Economics of Bads

- My wants are many but they do not include hard work.
- I like to earn a high return on my investments, but I don't like to bear risk.

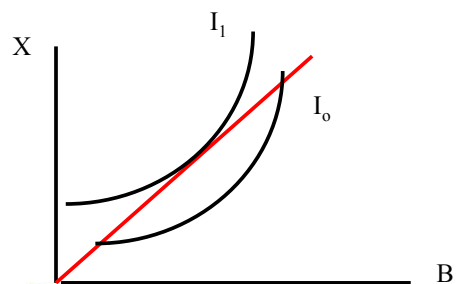
## The Economics of Bads



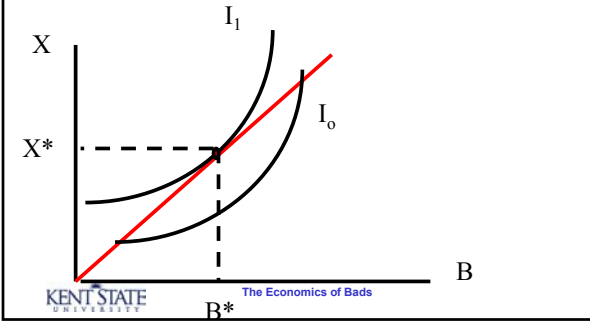
## The Economics of Bads



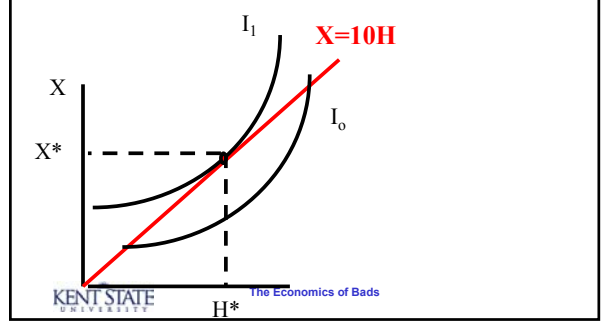
## The Economics of Bads



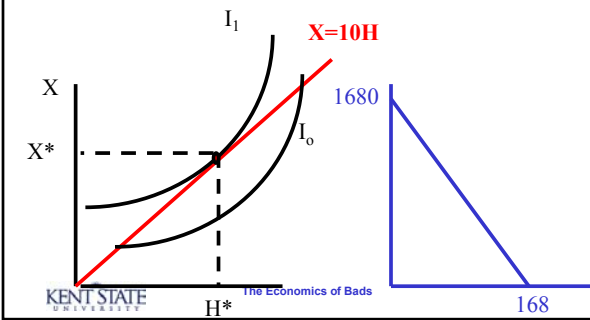
### The Economics of Bads



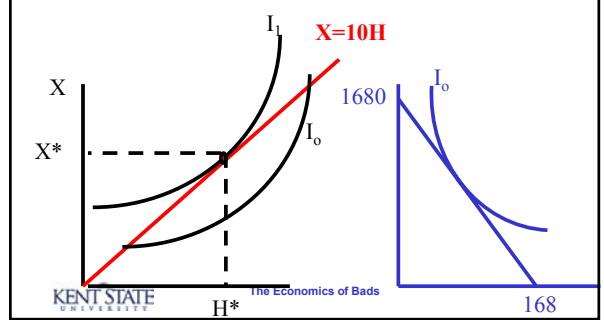
### The Work Leisure Choice



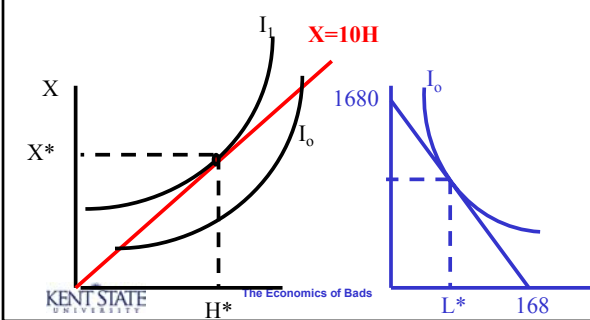
### The Work Leisure Choice



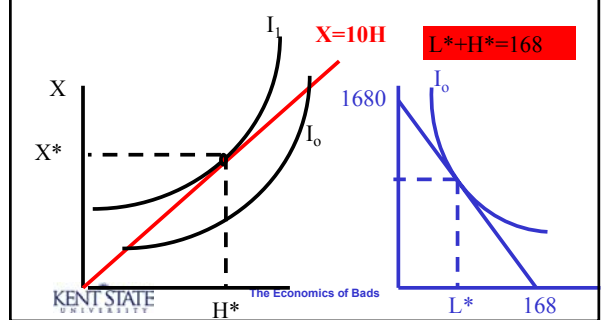
### The Work Leisure Choice



### The Work Leisure Choice



### The Work Leisure Choice



## A Problem

- Helen Jones works 40 hours a week for a salary of \$400. She would like overtime at \$10 an hour.

## A Problem

- Helen Jones works 40 hours a week for a salary of \$400. She would like overtime at \$10 an hour.
- That is, the MB of \$10 exceeds the marginal disutility of working an additional hour.*

## A Problem

- She is offered a position paying 4% of sales. She has the following data on current employees:

## A Problem

- She is offered a position paying 4% of sales. She has the following data on current employees:

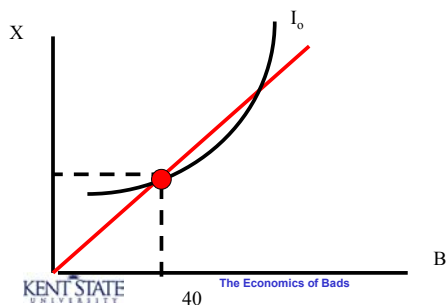
Employee	Hours	Sales
Wilson	40	\$10000
Smith	50	\$12500
Brown	30	\$7500

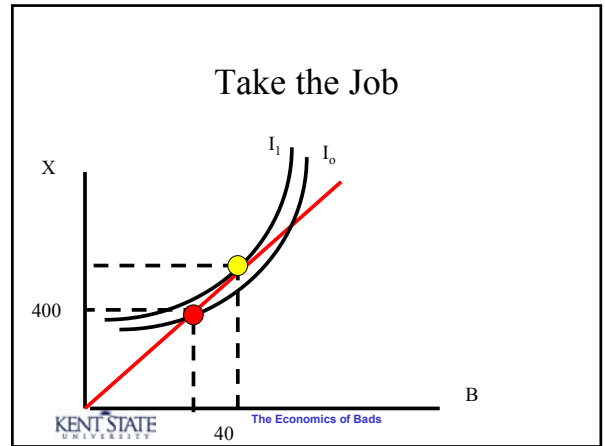
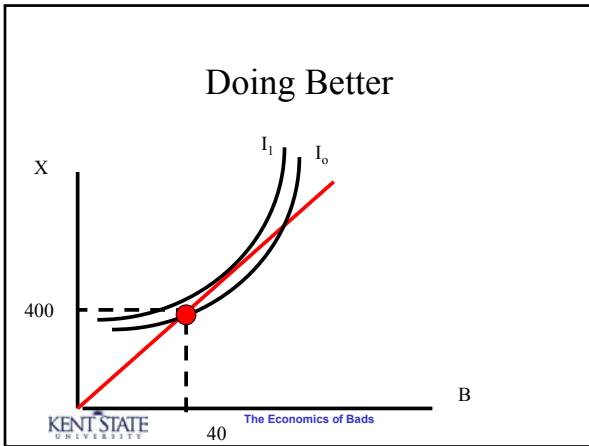
## A Problem

- These data mean that you earn about \$10 an hour.

Employee	Hours	Sales
Wilson	40	\$10000
Smith	50	\$12500
Brown	30	\$7500

## Where She Is





### A Second Problem

- Richard Jones has \$100,000 to invest.

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### A Second Problem

- Richard Jones has \$100,000 to invest.
- He could put the money into zero risk government bonds

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### A Second Problem

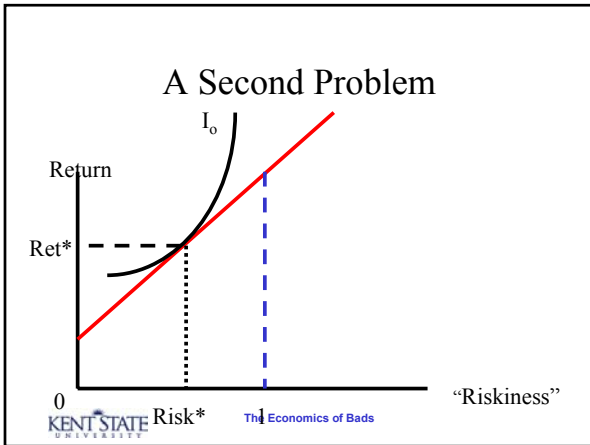
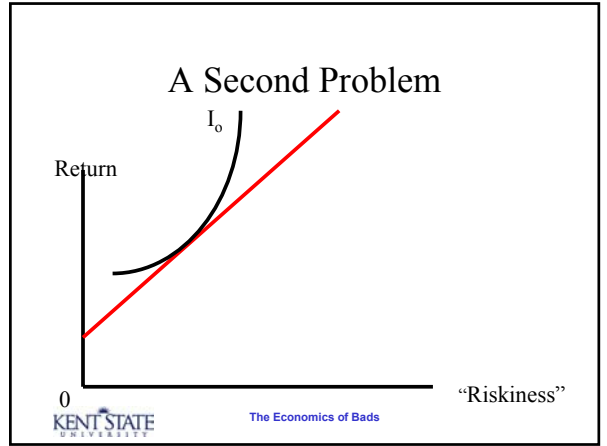
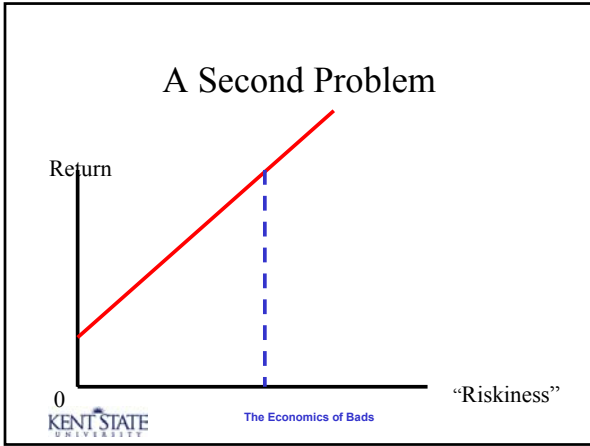
- Richard Jones has \$100,000 to invest.
- He could put the money into zero risk government bonds
- He could put the money in the stock market

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### A Second Problem

- Richard Jones has \$100,000 to invest.
- He could put the money into zero risk government bonds
- He could put the money in the stock market
- How should he make his decision?

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## End

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