

Practice 1 – Introduction to Labor Economics (deadline: the day before next tutorial)

Answer the following questions based on what was seen in the video "The pencil" by Milton Friedman. Do not use more than one sheet to answer all questions.

- 1) Give at least three examples –which have not been commented already– of the division of labor and its potential benefits.

- 2) Explain the following sentence from the video: "When you go down to the store and buy this pencil, you are in effect trading a few minutes of your time, for a few seconds of the time of all those thousands of people."

- 3) Why does Prof. Friedman speak of impersonal operation of prices? What economic system does Prof. Friedman seem to defend and, therefore, what other system do you think he would firmly oppose?

- 4) Explain the phrase: "the best lawyer in town could be at the same time his own best 'secretary', yet he chooses to hire one" Why is this so? Ponder about the economic concept behind this analogy and develop in a few sentences.