Teacher Answer Key

Case Study

1. Diminishing returns means each extra bag of fertilizer adds less yield than the bag before it. Marginal analysis tells the farmer to keep comparing that shrinking gain to what the next bag costs.

2. He stops when the added benefit from one more bag just equals the added cost. Anything past that point costs more than the extra corn is worth.

Multiple Choice

1. C

2. D

3. B

Matching

1-B, 2-D, 3-E, 4-A, 5-C

Fill-in-the-Blank

1) marginal benefits, 2) equilibrium, 3) diminishing returns

Short Answer (Sample Responses)

Q1: A business uses marginal analysis by producing additional units as long as the marginal revenue from each unit exceeds the marginal cost. When these two are equal, production stops.

Q2: Governments use marginal analysis in public projects to weigh benefits, like improved infrastructure, against costs, such as environmental impact and budget allocation.

Q3: Marginal analysis helps in personal decisions by weighing small additional benefits and costs. For instance, studying an extra hour may boost exam scores, but the cost is less free time.