

**College of Administrative and Financial Sciences**

**Assignment-1**

**Deadline: 4 October 2020 @23:59**

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| Course Name: **MICROECONOMICS** | Student’s Name: |
| Course Code: **ECON101** | Student’s ID Number: |
| Semester: **1** | CRN:  |
| Academic Year: 1441-1442 |

**For Instructor’s Use only**

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| Instructor’s Name: |
| Students’ Grade: Marks Obtained/  | Level of Marks: |

* This Assignment must be submitted on Blackboard (**WORD format only**) via the allocated folder.
* **Email submission will not be accepted.**
* You are advised to make your work clear and well-presented; marks may be reduced for poor presentation. This includes filling your information on the cover page.
* Assignment will be evaluated through BB Safe Assign tool.
* Late submission will result in ZERO marks being awarded.
* The work should be your own, copying from students or other resources will result in ZERO marks.
* Use **Times New Roman** font 12 for all your answers.

**Marks:05**

**Critical Thinking 1: The diamond-water paradox**

In “An Inquiry into the Nature and Causes of the Wealth of Nations” published in 1776, Adam Smith wrote:

*“Nothing is more useful than water: but it will purchase scarcely anything… A diamond, on the contrary, has scarcely any use-value; but a very great quantity of other goods may frequently be had in exchange for it”*

Explain the diamond-water paradox and find out in the literature how economists have later solved this paradox.

**ANSWER:**