

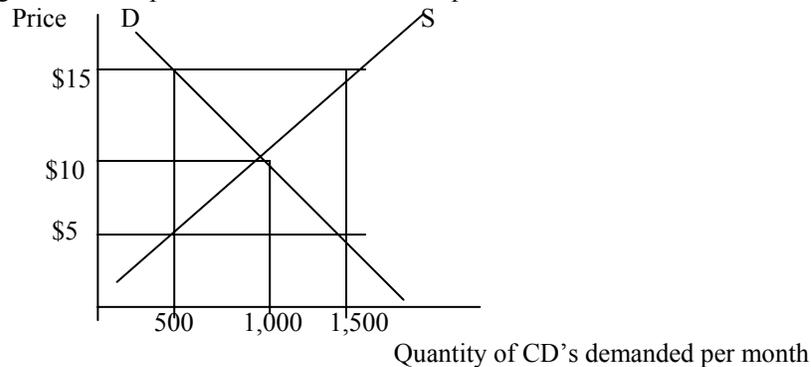
Name: \_\_\_\_\_

If you work with others please hand in your assignment in your own words and identify those you worked with. Make sure this assignment is handed in at the beginning of class.

From the textbook, under **Problems and Exercises** on page 91 (only one on page 90):

1. #2
2. #3
3. #4
4. #6
5. #10
6. True/False and EXPLAIN!
  - A. tomatoes and lettuce are complements - an increase in cost of producing lettuce will decrease the supply of tomatoes.
  - B. an increase in the profitability of growing corn will decrease the supply of soy beans.
  - C. Suppose an economist found that total revenues increase for the bus system when fares were raised, the conclusion is that the price elasticity of demand for the bus system over the range of the fare increase is elastic.
  - D. An increase in the price consumers are willing to pay for home computers should lead to an increase in the supply of home computers.
  - E. When the price of eggs decreases from \$1.10 to \$1.00 per dozen, the quantity demanded of eggs increases from 6000 to 8000 dozen in Philadelphia and from 300 to 400 dozen in Dover. The price elasticity of demand is the same in both Philadelphia and Dover.

7. The diagram below represents the market for Compact Discs.



- A. The market price is \$ \_\_\_\_\_, and the market quantity equals \_\_\_\_\_ CD's per month.
  - B. If a price ceiling is established at \$5, a \_\_\_\_\_ would exist in the amount of \_\_\_\_\_ CD's per month. Show on the diagram above the impact of this price ceiling.
  - C. If a price floor is set at \$15, a \_\_\_\_\_ would exist in the amount of \_\_\_\_\_ CD's per month. Show this on the diagram above.
8. What do you predict are the elasticity differences between broadly defined products such as cars, clothing, or meat versus narrowly defined products such as a Mustang, Levis, or pork chops?