

Problem Set #1Due Friday 2/10/06 by 6 p.m. in the Econ 101 slot in the Economics Alcove

Use a stapler! Write legibly and use full and grammatically correct sentences in your answers. Draw graphs neatly and label axes and points clearly. Each part below is weighted equally in grading, as are subparts within a part.

A. 1) Do Problem 2 on p. 31 in Chapter 2.

2) a. What in general are the potential opportunity costs of going to college?

b. What about for you in particular?

3) a. Do Problems 5 and 6 on p. 32 in Chapter 2.

b. Do Problem 7 on p. 32 in Chapter 2

4) Do Problem 9 on p. 32 in Chapter 2.

B. 1) Do Problem 2 on p. 53 in Chapter 3.

2) Consider the daily market for apples at a college campus grocery store. Using the following data, plot the points and graph the demand and supply curves for apples. What is the equilibrium price and quantity? Find a price at which excess demand would exist and a price at which excess supply would exist, and notate them on your diagram, including notating the related quantities demanded and quantities supplied and the amounts of the shortage (in the first case) and the surplus (in the second case).

<u>Price per apple</u>	<u>Demand (number of apples)</u>	<u>Supply (number of apples)</u>
\$0.25	300	100
\$0.50	250	120
\$0.75	220	150
\$1.00	190	190
\$1.25	150	250

3) Do Problem 4 on pp. 53-54 in Chapter 3.

4) Do Problem 11 on p. 54 in Chapter 3.

- C. 1) For each case below, think of an event that could cause the curve in the market for pizza to change as indicated and indicate what will happen to equilibrium price and quantity (no graphing necessary).
- a. The demand curve for pizza has shifted leftward.
 - b. The demand curve for pizza has shifted rightward.
 - c. The supply curve for pizza has shifted leftward.
 - d. The supply curve for pizza has shifted rightward.
- 2) Suppose a hurricane wipes out the Florida orange crop. Predict how this would affect the equilibrium price and quantity in the market for oranges and the market for apples. Draw graphs to illustrate your answers.
- 3) Suppose today a medical study is publicized reporting that eating a lot of fiber does not result in lower colon cancer rates. Predict how this news will affect the equilibrium price and quantity in the market for oatmeal and the market for donuts. Draw graphs to illustrate your answers.
- 4) A breakthrough in airplane technology enables planes to fly twice as far on the same amount of fuel. Predict how this change will affect the equilibrium price and quantity in the market for airplane travel and the market for train travel. Draw graphs to illustrate your answers.
- D. 1) Do Problem 7 on p. 74 in Chapter 4.
- 2) Do Problem 9 on p. 74 in Chapter 4.
- 3) Do Problem 10 on p. 74 in Chapter 4.
- 4) Do Problem 11 on p. 74 in Chapter 4.