Problem Set 2
Economics 101
Due September 13, 2017 by 11 AM (time class starts)

This problem set is designed to give you some review of the concepts covered in Lectures 4 and 5 and Chapters 4 and 5 of the textbook. To receive credit for this problem set, you must submit your answers on-line at the class webpage.

Problems

1. What is the effect of an increase in consumer income on the market for shirts?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

2. What is the effect of an improvement in the technology of producers in the market for shirts?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

3. What is the effect of an increase in the price of chicken sandwiches on the market for hamburgers?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

4. What is the effect of an increase in labor costs on the market for slices of pizza?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

5. What is the effect of a change in the weather in Europe on the market for DVDs in the U.S.?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price unchanged, equilibrium quantity unchanged
6. What is the effect of an increase in preferences for MP3 players on the market for CDs?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

7. What is the effect of a decrease in income of consumers on the market for cars?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

8. What is the effect of an increase in preferences for computers on the market for computers?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

9. What is the effect of a decrease in preference for ice cream on the market for ice cream?
   a) Equilibrium price increases, equilibrium quantity increases
   b) Equilibrium price increases, equilibrium quantity decreases
   c) Equilibrium price decreases, equilibrium quantity increases
   d) Equilibrium price decreases, equilibrium quantity decreases

10. What is the effect of a decrease in the price of chicken sandwiches on the market for slices of pizza?
    a) Equilibrium price increases, equilibrium quantity increases
    b) Equilibrium price increases, equilibrium quantity decreases
    c) Equilibrium price decreases, equilibrium quantity increases
    d) Equilibrium price decreases, equilibrium quantity decreases

Questions 11 to 14 -- Two changes

11. What is the effect of an increase in consumer income and an improvement in technology (see questions 1 and 2)?
    a) Equilibrium price increases, change in equilibrium quantity uncertain
    b) Equilibrium price decreases, change in equilibrium quantity uncertain
    c) Change in equilibrium price uncertain, equilibrium quantity increases
    d) Change in equilibrium price uncertain, equilibrium quantity decreases
12 What is the effect of a decrease in the price of substitute good and an increase in the price of labor (see questions 4 and 10)?

a) Equilibrium price increases, change in equilibrium quantity uncertain
b) Equilibrium price decreases, change in equilibrium quantity uncertain
c) Change in equilibrium price uncertain, equilibrium quantity increases
d) Change in equilibrium price uncertain, equilibrium quantity decreases

13 What is the effect of a decrease in consumer income and a decrease in the price of a substitute good (see questions 7 and 10)?

a) Equilibrium price increases, change in equilibrium quantity uncertain
b) Equilibrium price decreases, change in equilibrium quantity uncertain
c) Change in equilibrium price uncertain, equilibrium quantity increases
d) Change in equilibrium price uncertain, equilibrium quantity decreases

14 What is the effect of an increase in preferences for a good and an improvement in technology (see questions 2 and 8)?

a) Equilibrium price increases, change in equilibrium quantity uncertain
b) Equilibrium price decreases, change in equilibrium quantity uncertain
c) Change in equilibrium price uncertain, equilibrium quantity increases
d) Change in equilibrium price uncertain, equilibrium quantity decreases

Questions 15-20 – Inelastic and Elastic Curves

15. With perfectly inelastic demand, what is the effect of an increase in preferences for a good by consumers?

a) Equilibrium price increases, equilibrium quantity increases
b) Equilibrium price increases, equilibrium quantity unchanged
c) Equilibrium price decreases, equilibrium quantity increases
d) Equilibrium price unchanged, equilibrium quantity decreases

16. With perfectly inelastic demand, what is the effect of an improvement in technology?

a) Equilibrium price unchanged, equilibrium quantity increases
b) Equilibrium price increases, equilibrium quantity decreases
c) Equilibrium price decreases, equilibrium quantity unchanged
d) Equilibrium price decreases, equilibrium quantity decreases

17. With perfectly elastic demand, what is the effect of an increase in labor costs?

a) Equilibrium price unchanged, equilibrium quantity increases
b) Equilibrium price unchanged, equilibrium quantity decreases
c) Equilibrium price increases, equilibrium quantity unchanged
d) Equilibrium price decreases, equilibrium quantity unchanged
18. With perfectly inelastic supply, what is the effect of an increase in consumer income?

a) Equilibrium price unchanged, equilibrium quantity increases  
b) Equilibrium price unchanged, equilibrium quantity decreases  
c) Equilibrium price increases, equilibrium quantity unchanged  
d) Equilibrium price decreases, equilibrium quantity unchanged

19. With perfectly elastic supply, what is the effect of an increase in consumer income?

a) Equilibrium price unchanged, equilibrium quantity increases  
b) Equilibrium price unchanged, equilibrium quantity decreases  
c) Equilibrium price increases, equilibrium quantity unchanged  
d) Equilibrium price decreases, equilibrium quantity unchanged

20. If the demand curve can be represented with the equation \( Q_D = 40 - P \) and the supply curve can be represented with the equation \( Q_S = 5 + 6P \), what is the equilibrium quantity in this market?

a) 5  
b) 15  
c) 25  
d) 35