Problem Set 2
Economics 101
Due September 12, 2018 by 12:30 PM (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.

1. 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

2. 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

3. 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

4. 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

5. 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
6. 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

7. 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

8. 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 9 to 12 -- Two changes

9. What is the effect of an increase in consumer income and an improvement in technology?
   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

10. What is the effect of a decrease in the price of substitute good and an increase in the price of labor?
    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

11. What is the effect of a decrease in consumer income and a decrease in the price of a substitute good?
    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) Equilibrium price decreases, equilibrium quantity decreases
12. What is the effect of an increase in preferences for a good and an improvement in technology?

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. 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

For Questions 14 to 16, please use the following diagram for a demand curve:

![Demand Curve Diagram](image)

14. What is the price elasticity of demand moving from point A to point B using point-to-point method?

a) -0.5
b) -1.3
c) -2.0
d) -2.5

15. What is the price elasticity of demand moving from point B to point A using point-to-point method?

a) -0.5
b) -1.3
c) -2.0
d) -2.5
16. What is the price elasticity of demand between point A and point B using the midpoint method?

a) -0.6  
b) -1.8  
c) -2.1  
d) -2.4

17. Which of the following best describes what is meant by an elasticity of supply of 2.0?

a) When the quantity increases by 1 unit, price increases by $2  
b) When the price increases by $1, quantity increases by 2 units  
c) When price increases by 1 percent, quantity increases by 2 units  
d) When price increases by 1 percent, quantity increases by 2 percent

18. When supply is perfectly elastic, what is the effect of an increase in consumer income on equilibrium price and quantity?

a) Equilibrium price increases, equilibrium quantity increases  
b) Equilibrium price increases, equilibrium quantity does not change  
c) Equilibrium price increases, equilibrium quantity decreases  
d) Equilibrium price does not change, equilibrium quantity increases

19. When demand is perfectly inelastic, what is the effect of an increase in the wage paid by producers on equilibrium price and quantity?

a) Equilibrium price increases, equilibrium quantity does not change  
b) Equilibrium price decreases, equilibrium quantity does not change  
c) Equilibrium price does not change, equilibrium quantity increases  
d) Equilibrium price does not change, equilibrium quantity decreases

20. Consider a market in which the elasticity of demand is -4, the elasticity of supply is 2, the initial price is $50 and the initial quantity is 1000 units. After an increase in the wage paid by producers, the new equilibrium price is $55. What is the new equilibrium quantity?

a) 1100  
b) 900  
c) 750  
d) 600