Economics 301  
Spring 2006  
Problem set # 1

Name:__________________________________________

1. Perloff (third edition): question 5 page 44

2. Perloff (third edition): question 13 page 44


4. In each case below, identify the effect on the market for steak.  
1. An increase in the price of lamb.  
2. A decrease in the population.  
3. An increase in consumer income.  
4. A decrease in the price of steak sauce.  
5. An increase in advertising by chicken producers.

5. Suppose the demand for chocolate were described by the equation \( Q_D = 60 - p \), and the supply were described by \( Q_S = -50 + p \). What are the equilibrium price and quantity? Show your answer using a graph.
6. If demand for cups is described by equation $Q_D = 100 - 5p$, and supply is $Q_S = 20 + 3p$, find the equilibrium price and quantity. How would your answer change if a decrease in consumer income shifted the demand curve to $Q'_D = 60 - 5p$?

7. In a competitive labor market, demand for workers is $Q_D = 20,000 - 2,200W$, and supply is $Q_S = 4,000 + 1,800W$ where $Q$ is the quantity of workers employed and $W$ is the hourly wage. What is the initial equilibrium wage and employment level? Suppose that the government decides that $5 per hour is the minimum allowable wage in any market. How would this new minimum wage alter this market? What would the new employment level be? Would there be any excess supply of labor? If so, how much?