

**In-Class Problems: Lecture 1**

1. List the factors that influence demand. Choose a product market and give examples of each of these factors for that market. (We do not go over these factors for supply, but you would be well-advised to know them.)
2. Choose a market and give an example of a factor that would shift the demand curve and a factor that would shift the supply curve.
3. How does a consumer perceive a change in the price of beer due to an increase in the cost of manufacturing aluminum cans: as a shift in the demand curve, or a movement along the demand curve?
4. Market Equilibrium

Suppose that the supply of steel is given by  $Q_S = 15P$ , and that the demand for steel is given by  $Q_D = 10,000 - 25P$ .

- (a) What is the current equilibrium price and quantity?
- (b) Suppose that steel is imported and that the government imposes tariffs of \$100 per unit. What is the new supply curve? (Hint: the  $P$  of supplying each unit increases by 100; re-write the supply curve in terms of  $P$  and add 100.)
- (c) Without doing any algebra, what do you anticipate should happen to price and quantity after the introduction of the tariff? Draw a diagram to illustrate what is going on.
- (d) What is the new equilibrium price and quantity?

For this and all future problem sets, questions are from the “Problems” section of the questions at the end of the chapter.

5. GLS Chapter 2, Question 14

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If you would like additional practice, I suggest working through question 10 (answers in the back of the book).