

This is a ten point quiz. Answer all questions neatly and legibly. Show your work.

1. (1 point) The market for mangoes is initially in equilibrium. You are told that incomes increase and that mangoes are an inferior good. You are also told that at the same time, labor costs for producing mangoes decreases. From this information you predict that the equilibrium price of mangoes will \_\_\_\_\_ while the equilibrium quantity of mangoes \_\_\_\_\_.

2. (4 points) Consider the market for pencils. You are told that when the price is \$1 per pencil that 100 pencils are demanded and that 50 pencils are supplied. You are told that when the price is \$2.50 per pencil that 50 pencils are demanded and that 125 pencils are supplied. Assume that both the demand and supply curves in the pencil market are linear. From this information calculate the equilibrium price and equilibrium quantity of pencils in this market. Show your work.

3. (3 points) Consider the market for widgets where there are two firms. You are told that the firms' supply curves are given by the following equations where  $P$  is the price per widget and  $Q$  is the number of widgets:

Firm One's Supply Curve:  $Q = P - 2$

Firm Two's Supply Curve:  $Q = 2P - 12$

In the space below draw three graphs: in the first graph draw Firm One's Supply Curve; in the second graph draw Firm Two's Supply Curve; and in the third graph draw the market supply curve. Label your graphs clearly and completely. Make sure you identify any intercepts and the coordinates of any kink points that you have.

4. (2 points) In the space below write the equation(s) for the market supply curve you found in #3. If necessary provide the range for each equation. Show your work.