1. The demand function is Q = 220 - 2p, and the supply function is Q = 20 + 3p - 20r, where r is the rental cost of capital. How do the equilibrium price and quantity vary with r?
2. Immigration to the United States increased the labor supply of working men by 11.0% from 1980 to 2000, and reduced the wage of the average native worker by 3.2%. From these results, can we make any inferences about the elasticity of supply or demand? Which curve (or curves) changed, and why? Draw a supply-and demand diagram and label the axes to illustrate what happened.
3. Write down an example where the price elasticity of demand is -2.5.
4. What is a money pump?
5. Given an example where preferences are not complete.
6. Given an example where more is not better.