

Lecture Exercise #5

Spring 2022

You will work on these exercises during class on Monday, January 24th. You are strongly encouraged to work with 3 or 4 of your peers, where you will discuss and work through the problems together. The instructional team will circulate between groups to answer your questions and provide guidance.

Post your answers on Poll Everywhere (PE) using the link provided by Professor Balaban. Note that the PE link will be opened on command during class and will close with 15-20 minutes left in class. A warning will be given a few minutes before the link is closed. We will review the answers after the link is closed.

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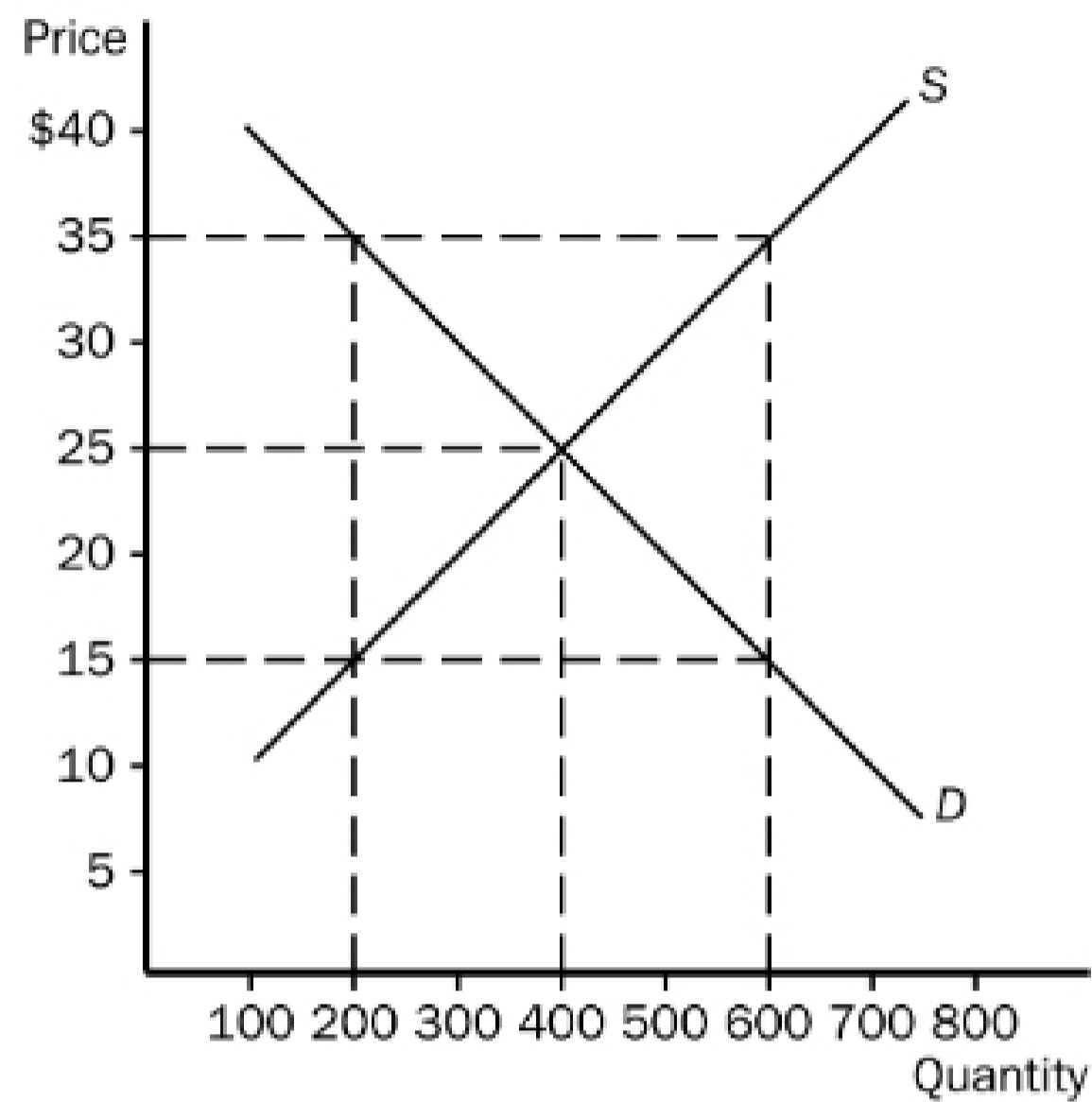
Below are 5 students, each of whom owns an iPad. Next to each student is the value that the student puts on their iPad. Assume that if offered the right prices each of these students would be willing to sell their iPad. **Use this information to answer questions 1 and 2.**

	Value
Sam	\$800
Cam	\$400
Maddie	\$800
Phillip	\$700
Ariel	\$550

- At a price of \$600, how many iPads will these students be willing and able to supply?
 - 1
 - 2
 - 3
 - 4
 - 5

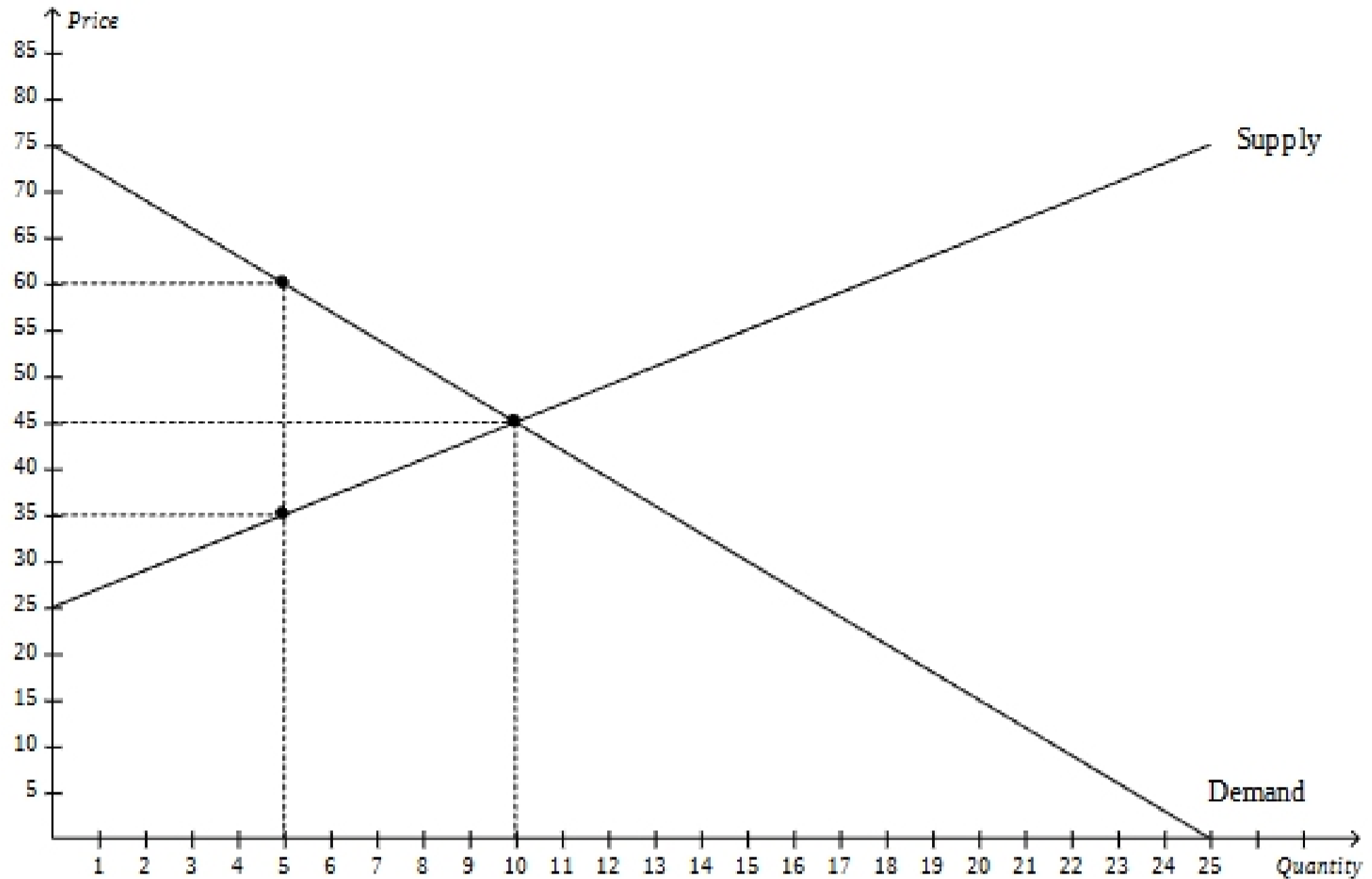
- Suppose the market price of a used iPad is \$675. What is the value of producer surplus? ***
 - \$350
 - \$400
 - \$525
 - None of the above

Use this graph to answer questions 3 and 4:



3. The equilibrium price and quantity in the graph are, respectively,
- \$35 and 200.
 - \$35 and 600.
 - \$25 and 400.
 - \$15 and 200.
4. Refer to the graph above. At a price of \$15
- There would be a shortage of 400 units.
 - there would be a surplus of 200 units.
 - there would be a surplus of 400 units.
 - there would be a shortage of 200 units.

Use this graph to answer questions 5-7.



5. At the equilibrium price, the value of consumer surplus is
- \$150
 - \$200
 - \$250
 - \$350
6. If the price increases from \$45 to \$60, then by how much will consumer surplus change? ***
- It will decrease by \$37.50
 - It will decrease by \$75
 - It will decrease by \$112.50
 - None of the above. Consumer surplus will increase when the price rises.
7. At the equilibrium price, the value of total surplus is
- \$150
 - \$200
 - \$250
 - \$300