Economics 101 Quiz 1 Name:_____
Fall 2014
Quiz is Due in Discussion Section (Sept 18 or 19)
Must be handed in, in person, to the discussion section in which you are registered.
No Late Quiz will be accepted.

1) Ron has the following marginal values for apples and bananas consumed per week (assume Ron must purchase Apples and Bananas in whole units):

Quantity	MV(Apples)	MV(Bananas)
1	$10	$6
2	8	5
3	6	4
4	4	3
5	2	2
6	0	1

a. If the market price for bananas is $3 and the market price for apples is $4, how many bananas and apples does Ron consume each week and how much total consumer surplus does he receive from consuming each good? (2 pts)

b. How much would Ron be willing to pay to be able to purchase bananas at $1 per banana instead of $3? (2 pts)

2) Consider the market for coffee and assume that the market is initially at the market clearing price and quantity. Suppose the following events occur: a drought in South America destroys a portion of the coffee bean crop AND it is reported that drinking coffee everyday will provide positive health benefits. Use a supply and demand graph to illustrate what will happen in the market for coffee as a result of these events. What happens to the equilibrium price and quantity in the market for coffee as a result of these events? (2 pts.)

3) Assume that the supply and demand schedules for hamburgers are as follows (assume continuous, linear demand and supply curves that contain the data points found in the following supply and demand schedules):

Price	Quantity Demanded
$6	0
5	10,000
4	20,000
3	30,000
2	40,000
1	50,000
0	60,000

Price	Quantity Supplied
$6	60,000
5	50,000
4	40,000
3	30,000
2	20,000
1	10,000
0	0

a. Draw the demand curve and the supply curve for hamburgers. What are the equilibrium price and quantity for hamburgers? Use the Graph to calculate the size of total consumer surplus, producer surplus, and total net benefits to society in this market. (2 points)

b. Suppose that negative information about the long-term health effects from eating hamburgers is reported to the public. As a result, the willingness to pay of each potential consumer of hamburgers is reduced by $2. What are the new equilibrium price and quantity as a result of this news (tip: derive a new demand schedule for hamburgers)? How much will total producer surplus *change* as a result of this news? (2 points)