Economics 101   Winter 2012
Dan Friedman   UCSC

Problem Set #2

Due in class January 24.

Part 1:
Look over all the questions and problems in Baye Chapters 5-6. Write out and turn in
your solutions to:
 Problems 12, 18 of Chapter 5; and
 Problems 11, 15 (also give a contrary argument), 21 and 23 of Chapter 6.

Part 2:
Use data from the in-class double oral auction, now posted on the class website, to
        answer the following:
1. Graph the supply curve, given the list of unit costs on the spreadsheet.
2. Graph the demand curve, given the unit values on the spreadsheet.
3. Use the supply and demand graphs to make numerical predictions of price and
    quantity in periods 1-2.
4. What were the mean, median, and standard deviation of actual prices in each period?
    Overall?
5. What is the predicted consumer surplus and the predicted producer surplus each
    period? How does it compare to actual consumer and producer surplus that period?
6. Discuss the predictive power of supply and demand for the market data in the
    spreadsheet.
Note: To receive bonus points for your profits in the market game, you must attach your
record sheet to your solutions for this problem set, or have already turned it in to your TA.