

Intro Micronomics | Homework B Demo

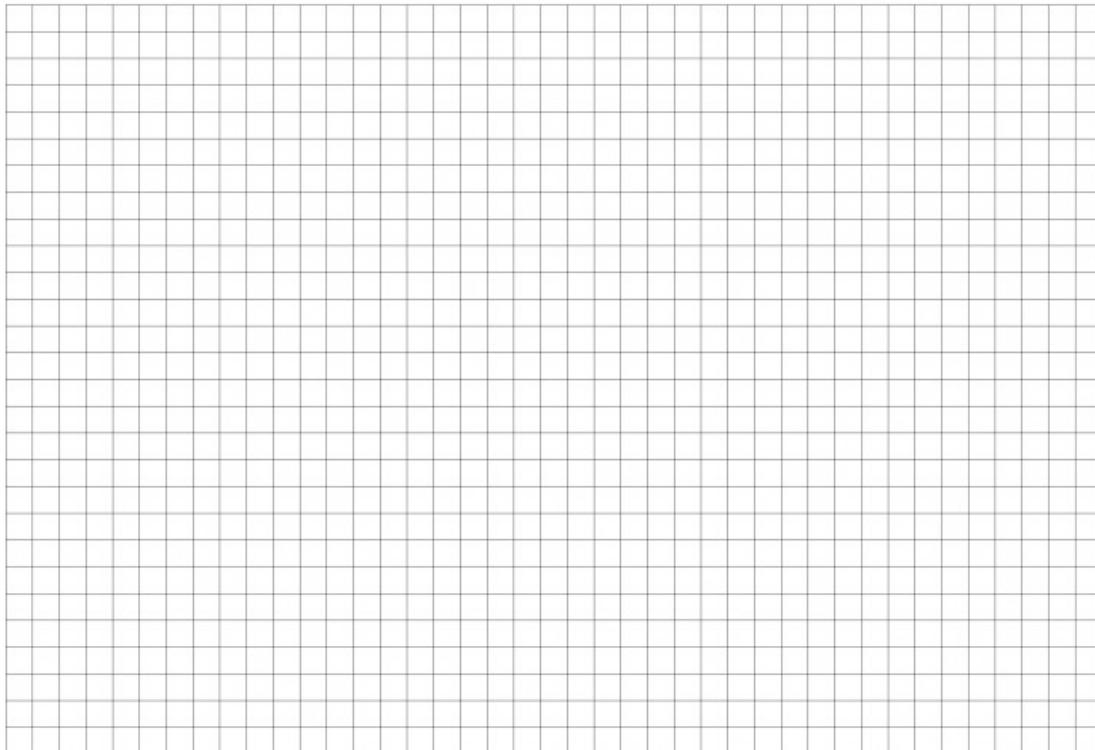
Homework is designed to both test your knowlege and challenge you to apply familiar concepts in new applications. Send me your questions at taylorjweidman@pitt.edu. Answer clearly and completely; show your work so I can understand your thought process for partial credit; you are welcomed and encouraged to work in groups as long as your work is your own.

Question 1

Preferences for butter beer can be represented by the following demand curve:

$$P_d = 100 - \frac{1}{2}Q_d$$

Use a graph to plot this demand curve, including the quantity demanded at both 40 galleons and 50 galleons. Then find and label the consumer surplus at these prices.



CS at 40 galleons:_____

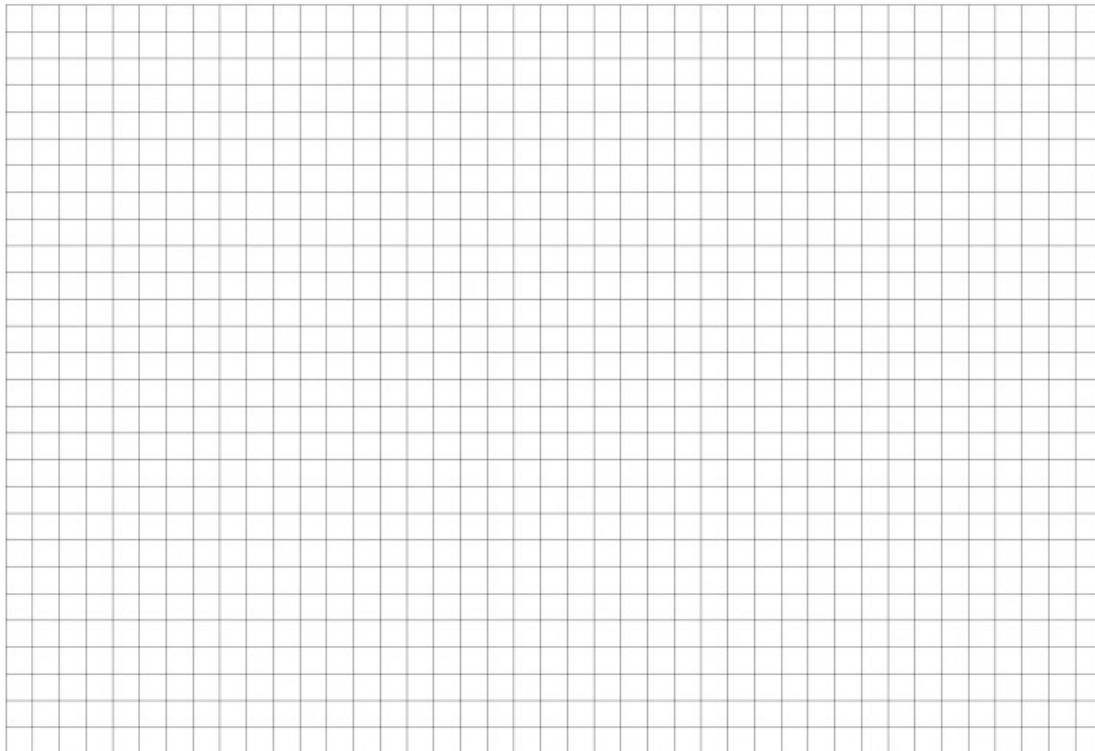
CS at 50 galleons:_____

Question 2

The supply curve for butter beer can be represented by the following equation:

$$P = 10 + \frac{2}{3}Q$$

Use a graph to plot this supply curve, and find and label the producer surplus at both 40 galleons and 50 galleons.

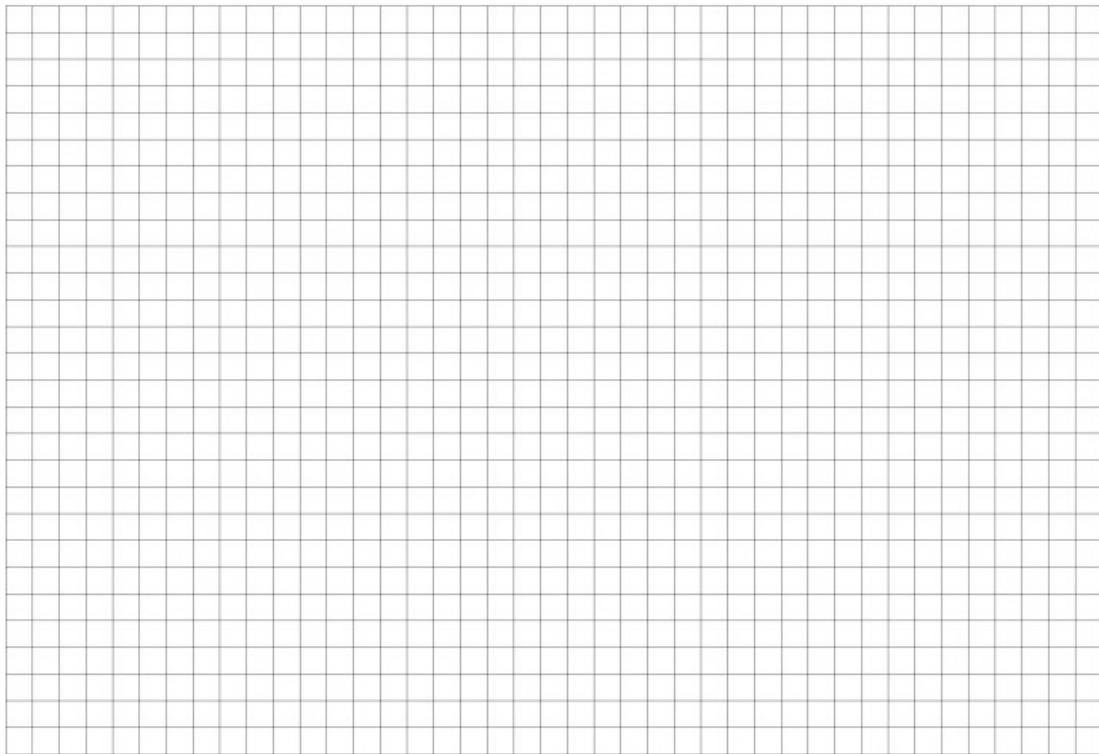


PS at 40 galleons: _____

PS at 50 galleons: _____

Question 3

What is the market equilibrium price, quantity, and total surplus? Use a graph and algebra to analyze this market.



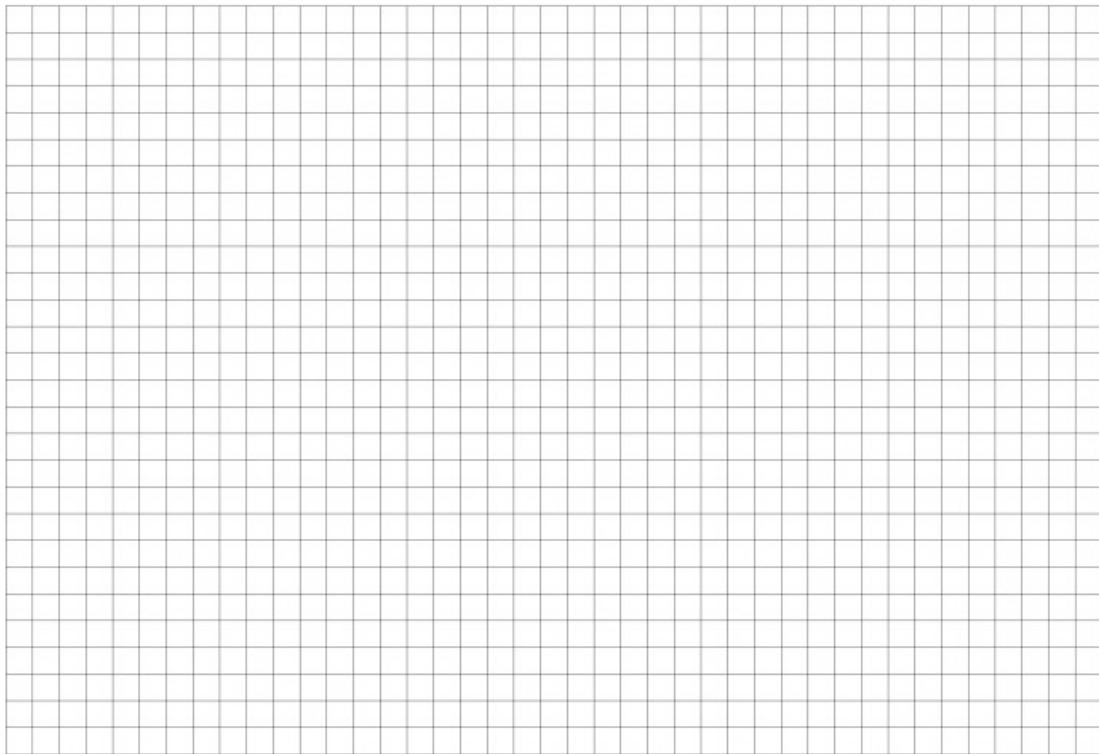
P*: _____

Q*: _____

TS: _____

Question 4

Butter beer has culturally been associated with a good time. This all changed when a high profile wizard went viral slamming the taste. At the same time an ingredient of the drink, butter extract, became incredibly difficult for butter beer makers to acquire. Use a graph to discuss the effect these two events had on the butter beer market.



Demand: UP, CONSTANT, DOWN

Supply: UP, CONSTANT, DOWN

Prices: UP, CONSTANT, DOWN, INDETERMINANT

Quantity: UP, CONSTANT, DOWN, INDETERMINANT