**EC1110 - MICROECONOMICS**

**Assignment # 1**

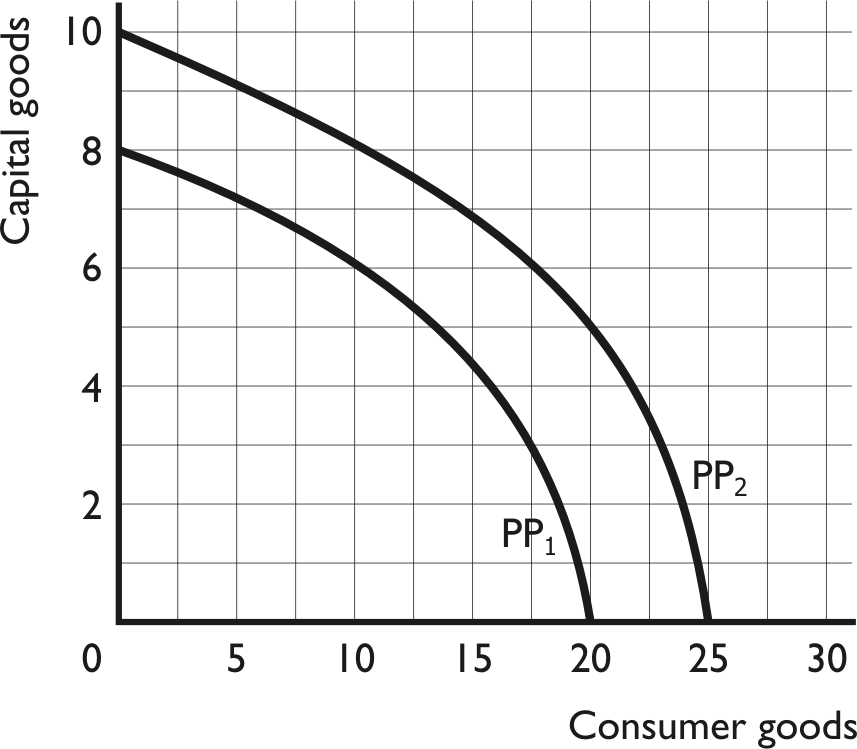
**ANSWER KEY**

**Paul Tilley**

**CHAPTER 1**

**36U**. **Key Problem**

1. See the following figure:



b) 19 units of consumer goods

c) 3 units of consumer goods

d) 1 1/3 units of capital goods

e) The law of increasing costs.

f) See the following table:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C** | **D** | **E** |
| **Capital goods** | 10 | 7.5 | 5 | 2.5 | 0 |
| **Consumer goods** | 0 | 12.5 | 20 | 23.75 | 25 |

g) see Figure above

h) 20 consumer goods

i) There must be unemployment, or inefficiency or inappropriate technology must be in use.

j) Improved technology, a larger capital stock or a larger labour force.

**CHAPTER 2**

**36U**. **Key Problem**

a) See the following figure:

Sayre & Moris Instructo

b) price = $8; quantity = 400

c) surplus of 200

d) see the figure above; new price = $6; new quantity = 300

e) see the figure above; new price = $8; new quantity = 200

**38U**. a) P = $5; quantity = 5

b) P = $4; quantity = 6

c) Surplus of 4.

**CHAPTER 3**

**36U.** a) Price = $3; quantity traded = 10 million.

b) $30 million.

c) $32 million.

d) surplus of 6 million; dollar amount of the surplus = $24 million;

the government will have to buy the surplus.

e) See the following figure:

**Figure 3.26 (completed)**

**10**

**4 8 12 16 20**

**Quantity per period     
(millions of kilos)**

Potato buyers will now be paying $44 million ($11 times 4 million)

f) 3 million kilos; $12 million.

g) See Figure 3.26 (completed);

Price = $4; quantity = 11 million; there is no surplus.