

Econ 601: Basic Economic Analysis  
Assignment #1  
**Answer Key**

**Problems:**

1. a. equilibrium price=\$6.25 Equilibrium quantity=80
- b. A shortage of 90 items
- c. A surplus of 40 items
- d. A price floor of \$8.75 would lead to a surplus of 90 items
- e. nothing, since the equilibrium price of \$6.25 is below the legal maximum of \$8.75.

- 2.a. coefficient= 0.75, demand is inelastic
- b. coefficient= 1.33, elastic
- c. coefficient= 3.33, elastic
- d. coefficient= 1.60, elastic
- e. coefficient= 1.00, unitary elastic

3. a. 3 pairs. b. 2 pairs. c. 4 pairs.

**Multiple Choice:**

- 1.C
- 2.A
- 3.C
- 4.B
- 5.A
- 6.A
- 7.D
- 8.B
- 9.D
- 10.D
- 11.A
- 12.B
- 13.D
- 14.B
- 15.B
- 16.C
- 17.B
- 18.B
- 19.B
- 20.D
- 21.B
- 22.B