

Homework 2

Due on 23/1/2024, by 23:00

This assignment is optional but **STRONGLY RECOMMENDED**. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G7-8-9-10'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers **AGAIN**. Otherwise, the system will grade the unfinished attempt with 0 (because it is the last one) and there is **NOTHING** I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

1. Which of the following is an example of the Law of Demand?
 - A. An increase in the price of jackets decreases the demand for jackets.
 - B. An increase in consumers' income increases the demand for cars.
 - C. An increase in the price of bullets decreases the quantity demanded for guns.
 - D. None of the above.
2. In the last decade, the cost of buying an apartment in Athens, Greece has increased by 100%, while the cost of buying a Lamborghini car has increased by 40%. Which of the following is true for the opportunity cost of Lamborghini cars in terms of Athen's apartments?
 - A. It has not changed.
 - B. It has increased.
 - C. It has decreased.
 - D. We need more information to tell.
3. Suppose that the price of the good on the vertical axis doubles, while the price of the good on the horizontal axis halves. Which of the following is accurate?
 - A. The budget line will become flatter (more horizontal).
 - B. The budget line will become steeper (more vertical).
 - C. The budget line moves closer to the origin but its slope does not change.
 - D. The budget line moves away from the origin but its slope does not change.
4. Recently, Singaporeans have increased their demand for plant-based meat. Which of the following may have led to that?
 - A. People consider it more environmentally friendly.
 - B. People are more alarmed about conventional meat's health risks.
 - C. People see it as a means to create a globally sustainable food supply.
 - D. All of the above.

Q_A	1,000	750	300	90	10
P_A	9	10	11	12	13

Table 2.1: The price and the corresponding quantity demanded for good A.

5. According to table 2.1, what is the price elasticity of demand for good A most probable to be?
 - A. A totally inelastic or vertical demand curve.
 - B. A relatively inelastic or somewhat vertical demand curve.
 - C. A relatively elastic or somewhat horizontal demand curve.
 - D. A totally elastic or horizontal demand curve.

6. According to table 2.1, which of the following goods is most likely to be good A?
 - A. Electricity.
 - B. Tesla cars.
 - C. Cigarettes.
 - D. Salt.

7. Which of the following would cause coffee's demand curve to shift outwards?
 - A. The release of multiple studies linking coffee to decreasing probability of heart attacks.
 - B. An increase in the price of tea.
 - C. Both A and B.
 - D. None of the above.

Scenario 2.1: Chelsea takes photography (P) and drawing (D) lessons and she receives utility equal to 0 unless she does one of these activities once a month. Chelsea's marginal utility from the two activities is:

Times/Month	1	2	3	4	5	6	7
MU_P	100	75	58	35	15	-5	-200
MU_D	65	53	40	28	17	3	-110

8. According to scenario 2.1, which of the following is more preferable for Chelsea?
 - A. Zero lessons of both photography and drawing.
 - B. 2 photography lessons.
 - C. 3 drawing lessons.
 - D. 7 photography lessons.

9. According to scenario 2.1, how much utility will Chelsea receive if she takes 3 photography and 3 drawing lessons in one month?
 - A. Around 100.
 - B. Around 200.
 - C. Around 300.
 - D. Around 400.
 - E. Around 500.

10. According to scenario 2.1, if the cost of photography is \$90 per lesson and the cost of drawing lesson is \$45 per lesson, how many photography and drawing lessons will Chelsea have in one month if she has \$1,000 to spend on them?
 - A. 5 photography and 6 drawing lessons.
 - B. 6 photography and 6 drawing lessons.
 - C. 6 photography and 7 drawing lessons.
 - D. 7 photography and 7 drawing lessons.

11. According to scenario 2.1, if the cost of photography is \$90 per lesson and the cost of drawing lesson is \$45 per lesson, how many photography and drawing lessons will Chelsea have in one month if she has \$360 to spend on them?
- 1 photography and 6 drawing lessons.
 - 2 photography and 4 drawing lessons.
 - 3 photography and 2 drawing lessons.
 - 4 photography and 0 drawing lessons.
12. According to scenario 2.1., if the cost of photography is \$90 per lesson and the cost of drawing is \$45 per lesson, how much utility will Chelsea receive in one month from these activities, if she spends \$360 on them?
- Around 150.
 - Around 250.
 - Around 350.
 - Around 450.
 - Around 550.
13. Suppose that the price elasticity of demand for cars at a given level of production is -0.8. What should the car dealer do to increase their revenue?
- Increase the price of cars.
 - Decrease the price of cars.
 - None of the above will increase their revenue.

Q_A	35	48	60	75
P_B	50	75	100	125

Table 2.2: The price of good B and the corresponding quantity demanded for good A.

14. According to table 2.2, what is the cross-price elasticity of demand for good A, when the price of good B increases from \$75 to \$100?
- Around -1.5.
 - Around -0.75.
 - Around 0.
 - Around 0.75.
 - Around 1.5.
15. According to table 2.2, which of the following is true for goods A and B?
- They are normal goods.
 - They are inferior goods.
 - They are complements.
 - They are substitutes.
 - None of the above.
16. Suppose that Samuel's income elasticity for bread is -2. What will happen to his quantity demanded for bread if his salary decreases by 50%?
- It will halve.
 - It will remain constant.
 - It will double.
 - It will triple.

17. Suppose that price elasticity of demand for TVs is -1.8, while TV size is measured in inches. Given that 1 inch is approximately equivalent to 2.54cm, what would the price elasticity of demand for TVs be if we measured them in cm?
- A. -1.8.
 - B. $-1.8/2.54$.
 - C. -1.8×2.54 .
 - D. $-1/1.8$.
18. Andrew collects stamps and airplane models and each month he spends \$200 to buy 10 stamps and 15 airplanes. At this combination, his marginal utility from stamps is 65 and from airplanes is 100. If the price of a stamp is \$5 and the price of an airplane model is \$10, which of the following would you suggest Andrew to do?
- A. To not change his consumption.
 - B. To buy less stamps and less airplane models.
 - C. To buy more stamps and more airplane models.
 - D. To buy more stamps and less airplane models.
 - E. To buy less stamps and more airplane models.
19. Which of the following best explains the nature of a Giffen good?
- A. A low-income, luxury good for which quantity demanded increases as the price increases.
 - B. A low-income, non-luxury good for which quantity demanded increases as the price increases.
 - C. A low-income, non-luxury good for which quantity demanded decreases as the price increases.
 - D. A low-income, non-luxury good for which quantity demanded remains constant regardless of price changes.
20. Assume that the same excise tax is imposed on the goods below. Which of them is LESS likely to increase government revenue from taxation?
- A. Internet service.
 - B. Perfume.
 - C. Petrol.
 - D. Alcohol.

Good afternoon! I always tell my students that before they ask their instructors, TAs, or their classmates any question, they should first have made some reasonable effort to find the answer on their own. The reason is because, more and more, I find students to exhibit various amounts of 'intellectual learned helplessness'. Naturally, when your brain comes across a problem, it is programmed from evolution to try and find the easiest and least costly way to overcome it (the path of least resistance). For intellectual problems, the easiest way always is to find the answer in the key or ask somebody else. This, however, trains the brain to stop thinking every time it comes across something non-trivial and get into a "seek-help-from-somewhere-else mode". When this becomes a habit, independent thinking shuts down completely, leadership abilities deteriorate, and the individual cannot function unless under supervision. I have seen this happening to even exceptionally smart individuals. Please, do not allow this to happen to you, too. If you have a question, push your brain to come up with the answer. Watch/read this part again, and even for a third, fourth, fifth time. Try to think, do your own research, or discuss it with your peers. If the problem is still above your own abilities, do not be shy to ask your instructor: "Professor, I have this question... I thought about it like this... and like that... I searched there... but it still seems that I need your help". Then, we will be glad to give you a hint to help you find the answer, but we will be gladder that you did the work and that next time your brain will be stronger and more independent. Kosmas