

Homework 2

Due on 28/1/2025, 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 G13-14-15-16'. 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** or else 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.

- Which of the following could be an example of the Law of Demand?
 - An increase in the price of bullets decreases the quantity demanded for guns.
 - An increase in consumer income causes an increase in the demand for bubble tea.
 - An increase in the price of sushi causes a decrease in the quantity demanded for sushi.
 - All of the above.
- Which of the following goods is likely to be the most inelastic?
 - Marijuana.
 - Natural gas.
 - Coca cola.
 - Special-K bars.
- Suppose that Andrew's income elasticity for jeans is 2. What will happen to his quantity demanded for jeans if his salary increases by 50%?
 - It will halve.
 - It will double.
 - It will triple.
 - It will remain constant.
- Suppose that the price elasticity of demand for Ray-Ban sunglasses at a given quantity sold is -1.6. What should Ray-Ban do to increase revenue?
 - Increase the price of Ray-Ban sunglasses.
 - Drop the price of Ray-Ban sunglasses.
 - Both A and B could increase producer's revenue.
 - None of the above will affect revenue.

Q_A	30	80	120	150
P_B	\$160	\$120	\$90	\$70

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

5. According to table 2.1, what is the cross-price elasticity between goods A and B, when the price of good B decreases from \$120 to \$90?
- A. Around -4.
 - B. Around -2.
 - C. Around -1.
 - D. Around 1.
 - E. Around 2.
 - F. Around 4.
6. According to table 2.1, which of the following pair of goods most likely corresponds to goods A and B?
- A. Orange juice; apple juice.
 - B. Beef; poultry.
 - C. AirPods; iPhones.
 - D. Condoms; fishing poles.
7. In the last years, the price of EVs decreased by 30%, while the price of conventional cars remained constant. Which of the following is true for the opportunity cost of a conventional car in terms of EVs?
- A. It has not changed.
 - B. It has increased.
 - C. It has decreased.
8. Which of the following would cause the demand curve for instant coffee to shift to the left?
- A. The release of multiple studies linking instant coffee to increasing probability of heart attacks.
 - B. A decrease in the price of espresso coffee.
 - C. Both A and B.
 - D. None of the above.
9. Which of the following would bring the least tax revenue to the state if an excise tax is imposed on that good?
- A. Alcohol.
 - B. Cigarettes.
 - C. Gasoline.
 - D. Whole milk.
10. Demand for plane tickets is $p = 5,000 - 2q$. At which quantity (q) is the elasticity of demand equal to -4?
- A. Around 250.
 - B. Around 500.
 - C. Around 750.
 - D. Around 1000.

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