

Homework 2

Due on 27/1/2026, 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 G10-11-12-13-14-15'. 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.

1. Which of the following examples best describes the Law of Demand?
 - A. When a good is advertised, its consumption increases.
 - B. When the price of a good increases, firms produce more of that good.
 - C. When the price of a good increases, consumption of this good decreases.
 - D. When consumer income increases, consumption tends to increase.
 - E. All of the above.
2. Which of the following best describes the measure of elasticity?
 - A. It is the ratio of the changes in two variables.
 - B. It is the ratio of the percentage changes in two variables.
 - C. It is the product of the changes in two variables.
 - D. It is the product of the percentage changes in two variables.
3. Which of the following is most likely to shift the demand curve for a good toward the left?
 - A. A decrease in the price of its complements.
 - B. A decrease in the price of its substitutes.
 - C. An increase in the price of the good.
 - D. An increase in the production cost of the good.
4. The demand for a good is price inelastic. Which of the following is most likely to happen if there is a 10% increase in its price?
 - A. The quantity demanded for the good will increase more than 10%.
 - B. The quantity demanded for the good will increase less than 10%.
 - C. The quantity demanded for the good will decrease more than 10%.
 - D. The quantity demanded for the good will decrease less than 10%.
 - E. The quantity demanded for the good will not change at all.
5. The price of a good is measured in Singapore dollars and its quantity demanded is measured in liters. Which of the following would affect the value of its elasticity of demand?
 - A. If we convert the price to another currency.
 - B. If we measure the quantity in ounces.
 - C. Both A and B.
 - D. None of the above.

6. Which of the following goods should the government choose to increase the GST on, if it wishes to increase its tax revenue?
 - A. Wireless service, whose price elasticity of demand is -0.5.
 - B. Wine, whose price elasticity of demand is -1.
 - C. Designer belts, whose price elasticity of demand is -2.
 - D. All of the above would bring about the same tax revenue.
7. Which of the following is most likely to be an inferior good?
 - A. A good that its demand increases when it is advertised.
 - B. A good that its demand increases when the household becomes poorer.
 - C. A good that its quantity demanded increases when its price decreases.
 - D. A good for which its cross-price elasticity is negative.
8. The cross-price elasticity between two goods is -1. Which of the following is most likely to be true?
 - A. They are substitutes.
 - B. They are complements.
 - C. They are normal goods.
 - D. They are inferior goods.
9. Which of the following goods is most likely to have the lowest income elasticity?
 - A. Books.
 - B. Toilet paper.
 - C. Air tickets.
 - D. Coffee.
10. Suppose that the government completely bans the consumption of good A. How will this possibly affect good B, which is good A's complement?
 - A. The quantity demanded for good B will increase but its demand will remain constant.
 - B. The quantity demanded for good B will decrease but its demand will remain constant.
 - C. The demand for good B will increase.
 - D. The demand for good B will decrease.

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