Multiple Choice (3 points each):

1) Consider a market in which demand is given by the function \( D(p) = 100 - 2p \). In this market, demand is
   c. elastic at all prices above \( p = 25 \).

2) The Income Elasticity of Demand for “product X” is estimated to be \( \varepsilon_{x,\ell} = .27 \). Based upon this value, we can infer that
   c. “product X” is a normal good.

Additional Question:

1) Consider a market in which demand is given by the inverse function \( P_D(q) = 80 - q \) and supply is given by the inverse function \( P_S(q) = 3q \). Determine \( p^* \) (the equilibrium price) and \( q^* \) (the equilibrium quantity) in this market. (4 points)

   *In equilibrium we need \( P_D(q) = P_S(q) \), or equivalently \( 80 - q = 3q \). Solving for \( q \), we see that \( q^* = 20 \). From here, we have \( p^* = P_D(q^*) = P_S(q^*) = 60 \).*