Quiz #1.
ECON 310 – Ticket Number 16388.

Multiple Choice (3 points each):

1) Consider a market in which demand is given by the function \( D(p) = 100 - 3p \) and supply is given by the function \( S(p) = 2p \). In equilibrium
   a. 20 units will be traded.
   b. 40 units will be traded.
   c. trade will take place at a price of $40 per unit.
   d. there is “excess supply.”
   e. More than one of the above answers is correct.

2) Consider the market for lemons. Suppose demand in this market were to increase, with no change in supply. This change would result in
   a. an increase in both equilibrium price and equilibrium quantity.
   b. an increase in equilibrium price but a decrease in equilibrium quantity.
   c. a decrease in both equilibrium price and equilibrium quantity.
   d. an increase in equilibrium price but potentially an increase, decrease, or no change in equilibrium quantity.
   e. None of the above answers are correct.

Additional Question:

1) The table below summarizes estimates for Price, Cross-Price, and Income Elasticities of Demand for “Product X” and “Product Y” under current market conditions. Based upon these estimates, answer the following questions (making specific reference to the relevant values in the table).

<table>
<thead>
<tr>
<th>Elasticity</th>
<th>Product X</th>
<th>Product Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Elasticity of Demand</td>
<td>-1.43</td>
<td>-1.25</td>
</tr>
<tr>
<td>Cross-Price Elasticity of Demand</td>
<td>0.37</td>
<td>0.42</td>
</tr>
<tr>
<td>Income Elasticity of Demand</td>
<td>0.62</td>
<td>1.04</td>
</tr>
</tbody>
</table>

   i. Would a slight increase in the price of “Product X” result in increase or decrease total expenditures on “Product X”? Explain. (2 points)

   ii. Is “Product X” a normal good or an inferior good? Explain. (2 points)