

Problem Set 1

On what and how to submit

- For this and all future problem sets, questions are from the “Problems” section of the questions at the end of the chapter.
- See [syllabus section](#) on how to create a Box folder to submit.
- Due before Lecture 2.
- Name the file “ps01_[lastname].[extension]”. For example, my file would be “ps01_brooks.pdf”.
- You do not need to type your submission. Any **legible** submission is ok. For example, you can write the problem set with hand-drawn graphs, take a picture, and submit the picture.

1. GLS Chapter 2, Question 8

2. Market Equilibrium

Suppose that the supply of Epi-pens is represented by $Q_S = 2P$, and that the demand for Epi-pens is represented by $Q_D = \frac{100}{3} - \frac{4}{3}P$.

(a) What is the current equilibrium price and quantity?

(b) Suppose that a generic producer enters the market and produces an additional 20 Epi-pens. What is the new supply curve (assuming that the generic and the brand name are perfect substitutes)?

(c) Without doing any algebra, what do you anticipate should happen to price and quantity after the introduction of the generic alternative? Draw a diagram to illustrate what is going on.

(d) What are the new equilibrium price and quantity?

3. Give two recent examples of (i) when you have moved along the demand curve and (ii) when your personal demand curve has shifted. Briefly explain why each behavior is a shift or a move along the curve.

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If you would like additional practice, I suggest working through question 10 (answers in the back of the book).