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- 1. What factors are held constant in drawing a market supply curve?
- 2. Describe how the income and substitution effects explain the "law of demand".
- 3. Distinguish between a price floor and a price ceiling and give an example of each.
- 4. Who pays most of the burden of a specific (unit) tax on producers when supply is inelastic? Explain your answer using an appropriate diagram.
- 5. The following equations describe the market demand and supply functions of a commodity.

 $Q_d = 100 - 4P$ (Demand) $Q_s = -30+6P$ (Supply)

- (a) Calculate the equilibrium price and quantity using the equations and show this equilibrium accurately on a graph.
- (b) Calculate producer surplus and consumer surplus at market equilibrium and show them on a graph.