

## Quiz #1

Suppose the demand for bananas is given by  $Q^d = \frac{64}{p}$ , while the supply of bananas is given by  $Q^s = 4p$ .

1. Solve for the equilibrium quantity demanded and equilibrium price.
2. Solve for the price elasticity of demand at the equilibrium you solved for in 1. (hint: the slope of the demand curve is  $-\frac{64}{p^2}$ ).
3. Solve for the price elasticity of supply at the equilibrium.
4. Suppose the government imposes a per-unit tax of \$t on banana purchasers. How will the tax burden be spread between purchasers and sellers? (note: you do not need to derive the new equilibrium to answer this question)
5. How would your answer to 4 change if, instead, the government imposed the tax on sellers of bananas?
6. Give an example of a good that, for you personally, has a high income elasticity (greater than 1), and explain why, in one sentence or less.