

Problem Set #2
ECNS 204
Due Monday, Sept. 7th by 10am
Submit to shared Dropbox folder or email to TA at alectruax@gmail.com

_____ Name

1.) Listen to the following University of Chicago Pandemic Economics podcast, “How to Price a Vaccine?” (a link is also up on the course webpage)

<https://bfi.uchicago.edu/podcast/episode-16-how-to-price-a-vaccine/>

Summarize the podcast and describe how economists would recommend pricing a COVID-19 vaccine. What are some of the practical hurdles that must be overcome for a vaccine to be priced appropriately and distributed globally?

Guidelines:

- One to two pages typed (going over two pages will result in loss of points)
- Double spaced
- Size 12 Times New Roman font
- Failure to follow any of these guidelines will result in loss of points

2.) On a recent trip to Bozeman, Penny stopped off at Dave’s Sushi for lunch because she heard that the average quality of the King salmon sushi rolls served at Dave’s was higher than that of most restaurants in the Pacific Northwest. She found this rumor to be quite peculiar seeing that King salmon do not live in Montana. However, after eating at Dave’s Penny agreed that the quality of salmon was higher than that of most Seattle restaurants she had previously eaten at. Give an economic explanation for this observation that is supported by a simple numerical example.

3.) The elasticity of demand for coffee is estimated to be -0.16. If the quantity demanded was 4 billion lbs. per year when the price is \$3.60 per lb., how much coffee would be demanded at \$2.40 per lb.? Make sure to show your work. No work, no points. (Silberberg and Ellis 6th ed., Ch. 3, #19)

4.) a.) The elasticity of demand for 16 centimeter-in-length Black Diamond ice screws is -1.5. If the quantity demanded is 5,000 ice screws per year when the price is \$60 per ice screw, then how much would the price per ice screw be if the quantity demanded was 7,500 ice screws per year?

b.) Are generic 16 centimeter-in-length ice screws more elastic or more inelastic than 16 centimeter-in-length Black Diamond ice screws?

5.) Aron spends his entire income on hamburgers and pizza. His demand for hamburgers is inelastic. If the price of hamburgers increases, what happens to the amount of pizzas he buys? When there are only two goods, can you state a rule about the effect of a change in the price of one good on the amount of the other good purchased? (Hint: You must consider the elasticity of demand of the good whose price has changed.) (Silberberg and Ellis 6th ed., Ch. 3, #25).