

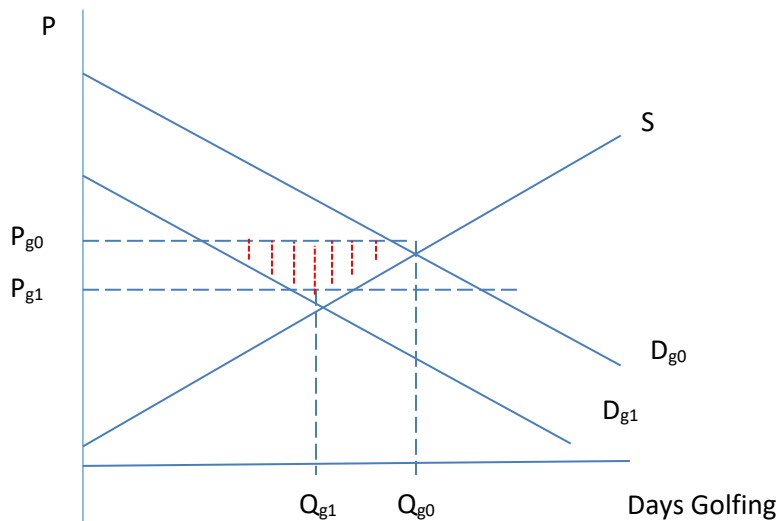
Quiz #5
ECNS 432
Spring 2020

_____Name

Recall our example from class where a nearby lake is stocked with fish effectively lowering the cost of fishing access for city residents.

Now, consider that golf serves as a substitute activity for fishing and that the supply schedule is upward sloping in this secondary market.

a.) (5 points) Show graphically what happens to the demand for golfing days.



Demand for golfing days shifts inward.

b.) (10 points) In your graph above, illustrate the net change in social surplus. Are golfers made worse off by the stocking of the lake? Why or why not?

The net loss in social surplus is the red highlighted area. While golfers are not made worse off by the stocking of the lake, there is a decrease in producer surplus that amounts to social surplus being negative on net.