Additional Problems for Chapter 2:

1. Which of the following would cause a shift to the right of the supply curve for gasoline?
   I. A large increase in the price of public transportation.
   II. A large decrease in the price of automobiles.
   III. A large reduction in the costs of producing gasoline.
   A) I only.    B) III only.    C) II only.    D) II and III only.

2. Suppose that the quantity of nursing services demanded exceeds the quantity of nursing services supplied. The nursing wage rate will:
   A) not change.   B) decrease.   C) increase.   D) none of the above.

3. The demand for erasers (Q) is given as follows:
   \[ Q = 240 - 4P_e + 2I + P_b + A \]
   where
   \( P_e \) is the price of erasers.
   \( I \) is the level of income.
   \( P_b \) is the price of another good.
   \( A \) is the level of advertising.
   Suppose that \( Q = 240, P_e = 10, P_b = 10, \) and \( A = 2. \)

3. The point price elasticity of demand is \(-1/2\). The price of the product increases from $1.00 to $1.10. Given the information in Scenario 3, the quantity demanded will decrease by approximately:
   A) 5 percent.   B) 10 percent.   C) 10 units.   D) 5 units.   E) none of the above.

4. According to diagram 1.2, at a price of $1.00, the quantity demanded is \___________\ than the quantity supplied and thus the price will \___________\ toward equilibrium.
   A) greater ; increase
   B) less ; decrease
   C) greater ; decrease
   D) less ; increase

5. At a price of $10, Jane would buy 8 Cds. At a price of $12, Jane would buy 6 Cds. What is Jane's elasticity of demand?
   A) -1   B) -11/7   C) -4/5   D) -5/4