

5. Recently the price of beef rose. Use graphs to show that the increase in price could be consistent with the following. (Be sure to draw a graph and provide a brief explanation for each situation.)

(A) The quantity of beef consumed falls.

(B) The quantity of beef consumed rises.

(C) The quantity of beef consumed stays the same.

6. You stumble across a heated debate in the cafeteria. It seems that a bunch of friends just bought concert tickets from Ticketmaster, a ticket-handling agency, and paid a \$4.00 surcharge for each ticket. "It's outrageous! It's not like they actually do anything worth \$4.00," complains a friend. Comment on her complaint.

7. You learn that a prominent economist is going to give a lecture, and you rush to get tickets. The economist says, "We economists don't know much, but we know how to create shortages and surpluses."
 - (A) How can government create a shortage in a competitive market? Illustrate this with a graph. Can you provide examples of this?

 - (B) How can government produce a surplus in a competitive market? Illustrate this with a graph. Can you provide examples of this?