

1. It costs Diane \$2 to make a basket, but she can sell them for \$8 each. If she makes 20 baskets, what is her producer surplus? _____
2. George is an artist who sells his paintings every week at the Santa Barbara craft fair. He is trying to decide how many days per week he should work. Below is a chart that shows George's total benefits and total costs for each day he works. Total Benefit measures the total amount he can sell his paintings for, while his Total Cost measures the opportunity cost of working, taking into consideration his explicit costs (e.g. painting supplies) as well as his displeasure from working. Fill in the missing cells in this table:

Days per week	Total Benefit (\$ earned)	Marginal Benefit	Total Cost (\$)	Marginal Cost
1	\$300		\$50	
2	\$550		\$125	
3	\$750		\$225	
4	\$900		\$350	
5	\$1000		\$500	
6	\$1050		\$675	
7	\$1050		\$875	

3. How many days per week should George work? _____
4. The table on the left shows Jamil's total benefit from different quantities of Pizza. Use this information to fill in the demand schedule.

Slices of Pizza	Total Benefit
1	\$5.00
2	\$8.50
3	\$11.00
4	\$12.00
5	\$12.50

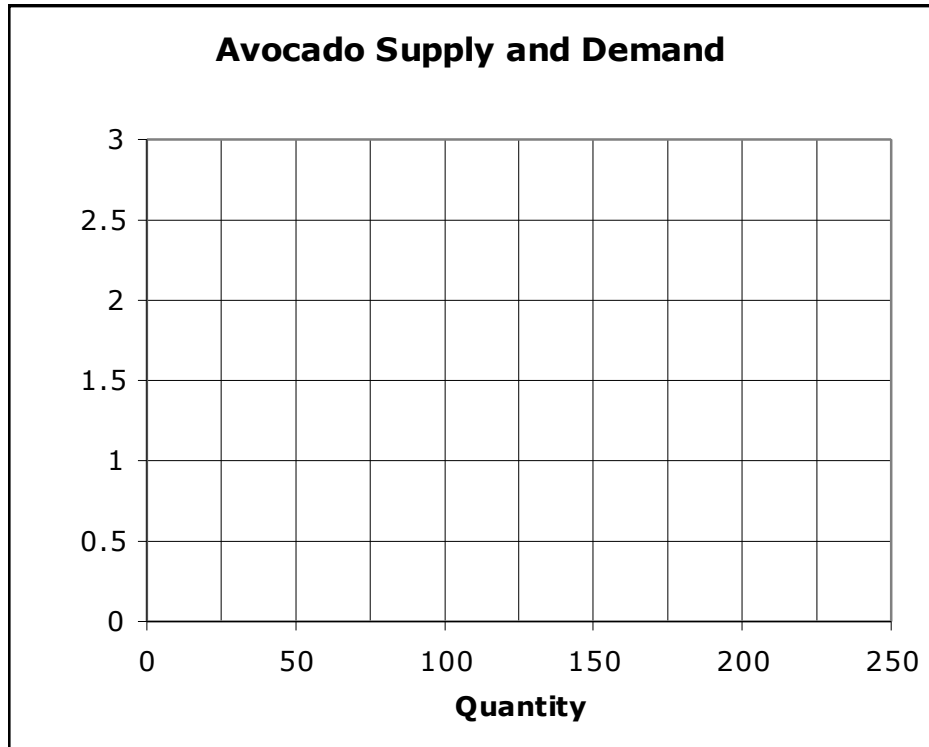
Price Range	Quantity Demanded
P > \$ _____	0
\$ _____ to \$ _____	1
\$ _____ to \$ _____	2
\$ _____ to \$ _____	3
\$ _____ to \$ _____	4
\$ _____ to \$ _____	5

5. The market demand for hammers is: $Q_d = 10,000 - 1,000P$. If the price of hammers is $P = \$3.50$, how many hammers are demanded? _____

Use the following information to answer Questions 6-8:

- The market supply of avocados is: $Q_s = 50P$.
- The market demand for avocados is: $Q_d = 75 - 25P$.

6. Graph the supply and demand curves below. Label your graph, indicating which curve is supply, and which is demand.



7. What is the equilibrium price in the avocado market? _____
8. Suppose the government mandates that the price of avocados is \$2. How much will the excess supply be? _____
9. Linc is a company that makes generic ball-point pens. Suppose Linc's marginal cost curve is: $MC = 0.10 + 0.04Q$, where Q is measured in 1000s of pens. If the price of pens is \$0.50, how many thousands of pens should Linc manufacture in order to maximize profits? _____
10. Suppose you want to fly to New York City. You have two options: There is a flight leaving from Santa Barbara and a flight leaving from Los Angeles. As far as you are concerned, both flights are the same except for two things: if you take the Los Angeles flight, you have to pay \$50 for gas. In addition, you will have to leave work 3 hours early, so you will not get paid your usual wage of \$10 per hour for that time. The flight from Santa Barbara costs \$400, and the flight from Los Angeles costs \$X. You should take the Los Angeles flight if X is less than _____.