EconS 526- Homework #1 (Due on October 29th, 2018)

1. Exercise 6.3 and 6.6 from Chapter 6 in S&B (page 121)
2. Exercise 7.16 and 7.18 from Chapter 7 in S&B (pages 141)
3. Suppose that the market for tea is described by the demand and supply functions

$$D_t = 100 - 5p_t + 3p_c$$
$$S_t = -10 + 2p_t$$

And the market for coffee by

$$D_c = 120 - 8p_c + 2p_t$$
$$S_c = -10 + 5p_c$$

Where p_t is the price of tea, p_c is the price of coffee, D_t and S_t are the quantities of tea demanded and supplied respectively, and D_c and S_c are the quantities of coffee demanded and supplied. Express the system of equations that describes the markets for tea and coffee into the form ***Ap=b***. Solve for the equilibrium prices of tea and coffee.

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