

**ECO 103, Winter 2015, Required Homework Assignment #2**  
**Due at the start of class on Wednesday, February 4**

Assume the model of supply and demand, developed in class applies to the market for lobster.

Read the following article:

Surowiecki, J. 8/26/13. "Clawback." *The New Yorker*

1. Using a graph of supply and demand, illustrate why lobster prices reached record lows in the Summer of 2013.
2. Suppose that I claim that "lobster prices were low because people decided lobster no longer tasted good." How would you disprove my claim?

Read the following article:

9/3/13. "Got lobster? Maine industry to boost marketing." *The Associated Press*, taken from the *Portland Press Herald*.

3. Using a graph of supply and demand, illustrate how this policy (from the previous article) might increase lobster prices.
4. True or False? This marketing campaign is especially likely to work if the marginal cost of catching lobsters is constant (it does not change as the quantity of lobsters caught changes).

Read the following article:

Terry, L. 6/15/10. "Portland Shellfish Co. recalls lobster meat tainted with listeria." *The Oregonian*.

5. Using a graph of supply and demand, illustrate how this type of news might affect the market for lobster.
6. Discuss each of the following hypothetical headlines might affect the efficiency of the lobster market, and how policy makers might (or might not) intervene to make the market more efficient.
  - a. "Scientists discover that eating lobsters reduces global warming."
  - b. "U.S. government imposes strict new quota on total lobster catch."
  - c. "Chef invents popular new lobster dish."