

### Lecture Assignment 3

#### 1. Supply

a. When is a pharmaceutical business more likely to hire highly educated, cutting-edge workers and use new, experimental research methods: When the business expects the price of its new drug to be low or when it expects the price to be high?

b. Imagine that a technological innovation reduces the costs of producing high-quality steel. What happens to the supply curve for steel?

2. Using the following diagram, identify and calculate total producer surplus if the price of oil is \$50 per barrel.

