

**Problem Set # 3**

**Due 10/7/09**

1. Text Problem 5.7 (this problem may appear on the test in some form).
2. Do Problem 5.8 and give it an elasticity interpretation.
3. Review problem 6.7, but you need not turn this in (this problem may also appear on the test in some form)
4. Return to the Hausman article on the CPI and answer the following:
  - a. Derive the set-off equation on page 27.
  - b. Derive Hausman's formula for the "virtual price"  $p^*$ , also on page 27.