

Master

Unit 2: Demand, Supply, & Efficiency
Problem Set 1

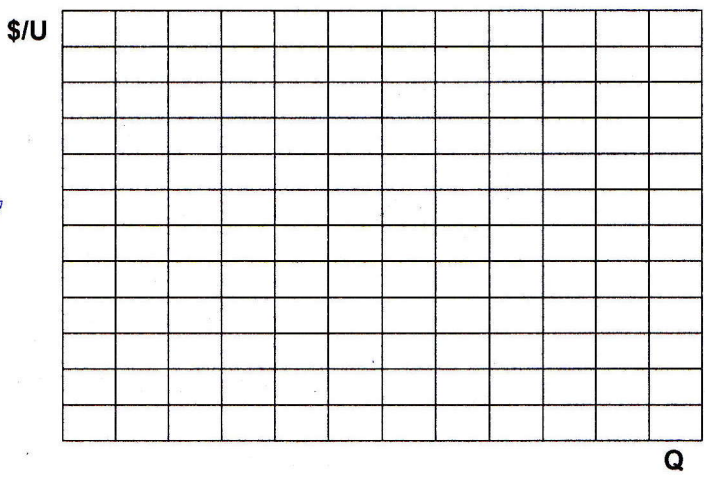
Graphing Supply and Demand

The supply and demand schedules for Econ Videos in Nacelville are as follows:

Price Per Video	Quantity of Videos Demanded	Quantity of Videos Supplied	Shortage ^{or} Surplus	<i>show numbers!</i>
\$20.00	500	100	_____	
\$30.00	400	200	_____	
\$40.00	300	300	_____	
\$50.00	200	400	_____	
\$60.00	100	500	_____	

Correctly label the model.

- 1. Graph the demand for Econ videos.
- 2. Graph the supply for Econ videos.



3. What is the equilibrium price of Econ videos?

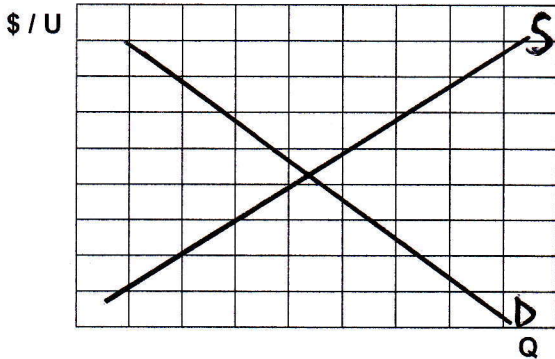
4. What is the equilibrium quantity of Econ videos?
5. Fill in the Surplus of Shortage column.
6. What would result if the school board of Nacelville set the price at \$25.00?
7. What happens to price when a shortage exists in a market?
8. What happens to price when buyers' incomes increase? Assume the good in question is a normal good.
9. What happens to price when buyers' incomes rise? Assume the good in question is an inferior good.
10. Do you think equilibrium or disequilibrium prices are most common in the "real world"? Why?

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 Problem Set 2

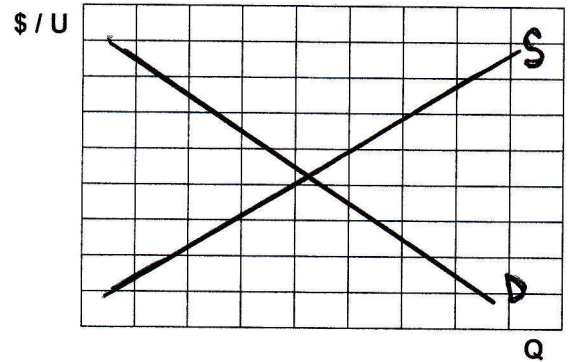
Shifting Demand Curves

On the graph provided, use a ~~new~~ line to illustrate the influence on demand (if any) of the stated change. Label the lines D' or S' , Indicate by arrow which direction line ~~is~~ moved.

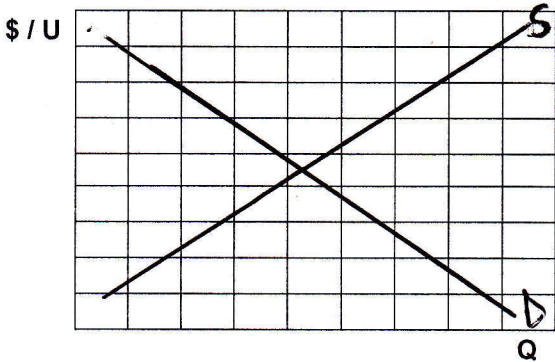
1. A new, less expensive substitute good is introduced into the market



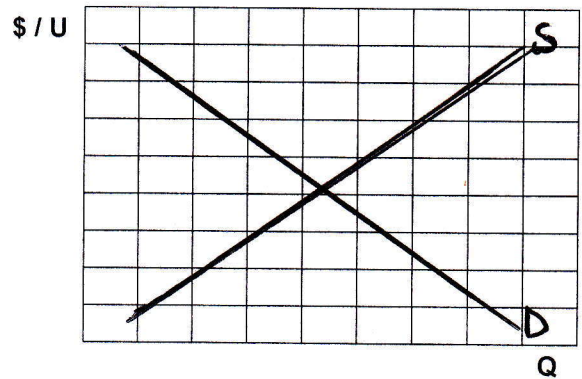
2. A law is passed that raises the age at which it is legal to consume this product.



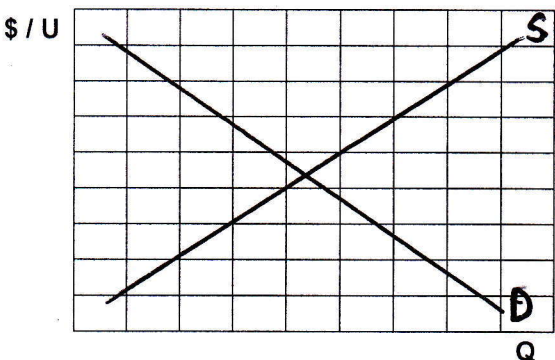
3. The price of a complementary good falls.



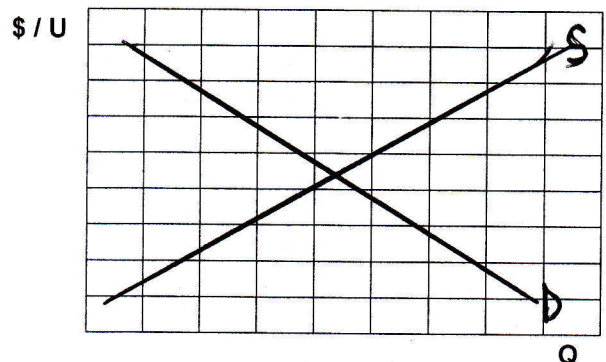
4. The government opens up its borders to completely free immigration.



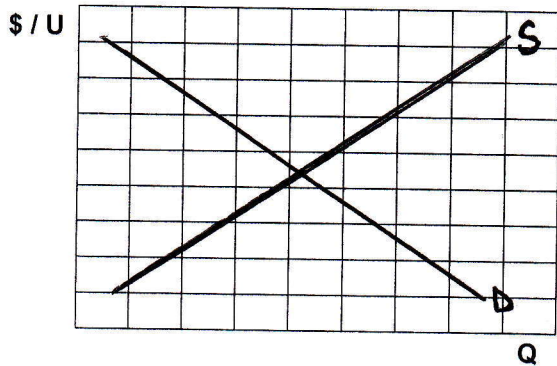
5. The good in question becomes more popular with consumers.



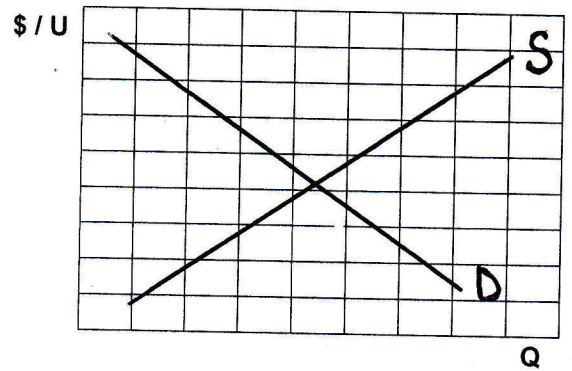
6. The cost of producing the good rises.



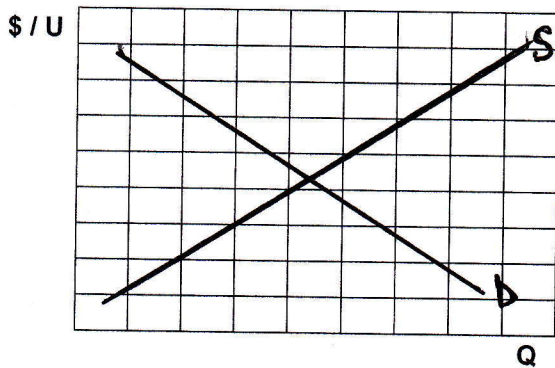
7. There is an expectation of higher future prices.
(What would happen to present demand?)



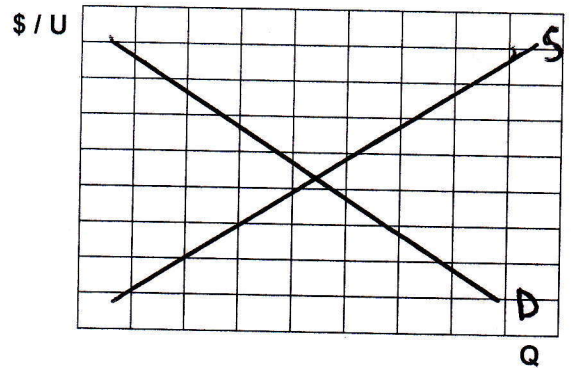
8. It is a normal good and buyers' incomes increase.



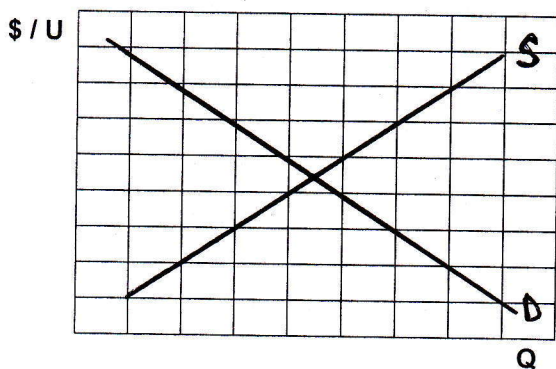
9. It is an inferior good and buyers' incomes rise.



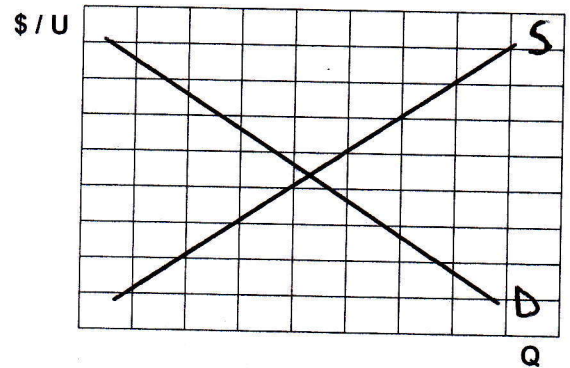
10. The price of the good rises.



11. A change in technology makes production more efficient.



12. The price of an independent good rises.

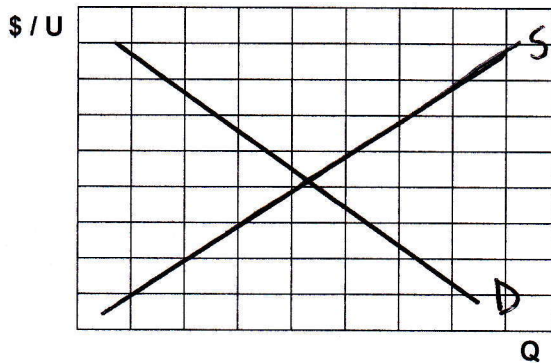


Unit 2
 Demand, Supply, and Efficiency
 Problem Set 3

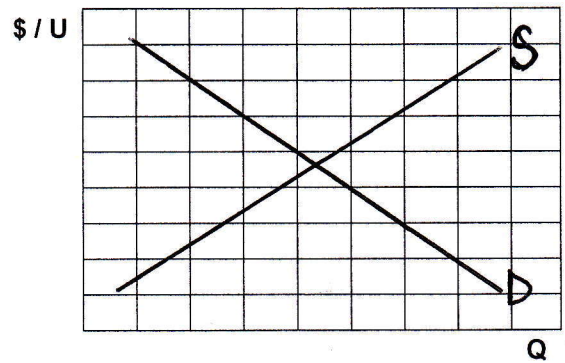
Shifting Supply Curves

On the graph provided, use a dotted line to illustrate the influence on the supply curve (if any) of the given changes.

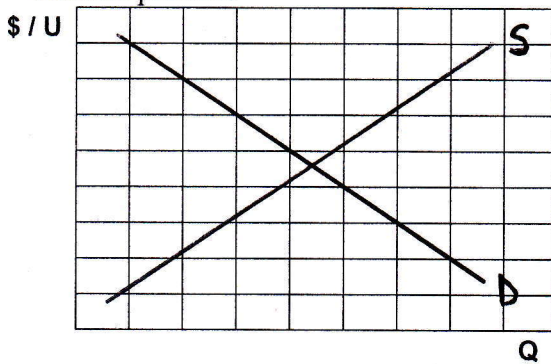
1. Advances in technology make production less expensive.



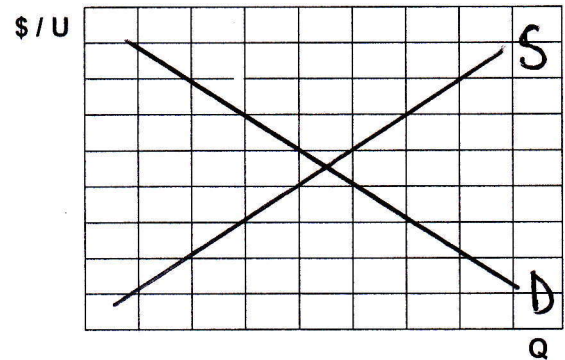
2. The resources formerly used to produce this product are banned.



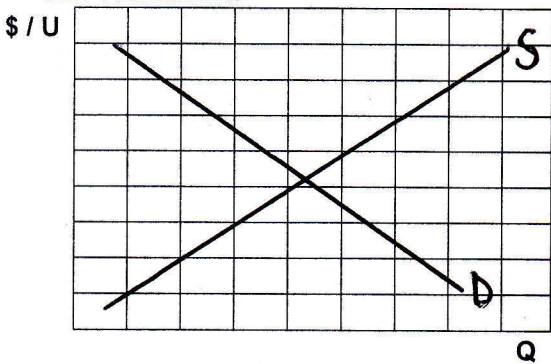
3. There is an increase in the selling price of another product



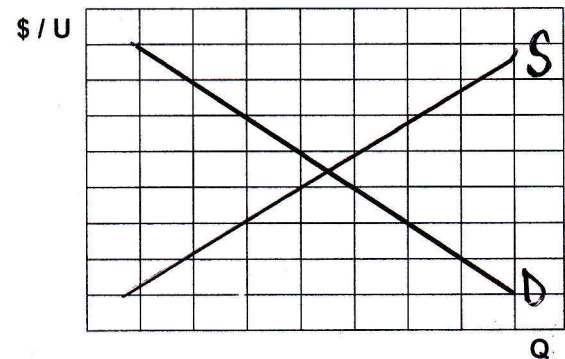
4. The selling price of this product increases.



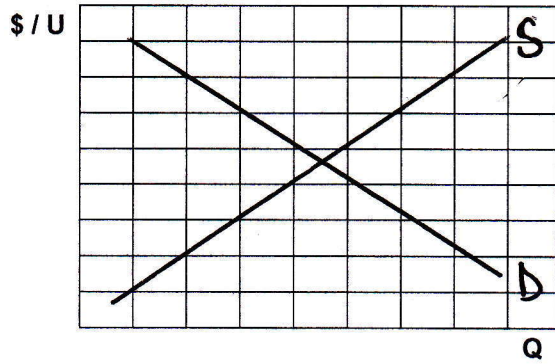
5. The good in question falls out of favor with consumers.



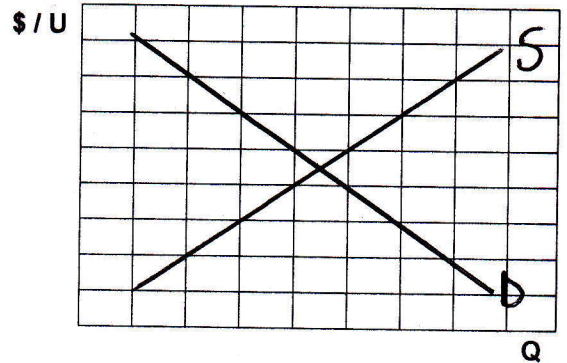
6. The cost of producing this product rises.



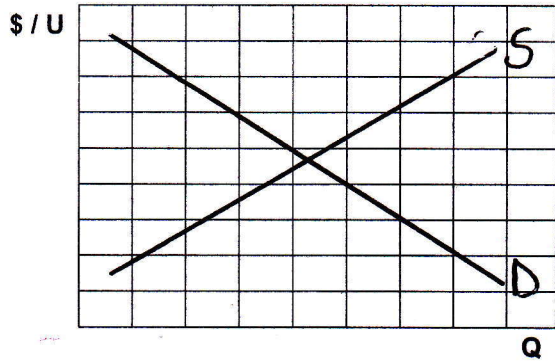
7. Producers expect higher future prices.



8. The government decides to subsidize the production of this good.



9. It is a normal good and buyers' income rises.



10. Foreign producers are now allowed to compete with domestic producers.

