Homework 18 due by the end of class on April 18.

Name _____

P = Price ($ / unit)

(Graph: Q = Quantity (number of units), axis 0–20 horizontal, 0–20 vertical)

Q = Quantity (number of units)
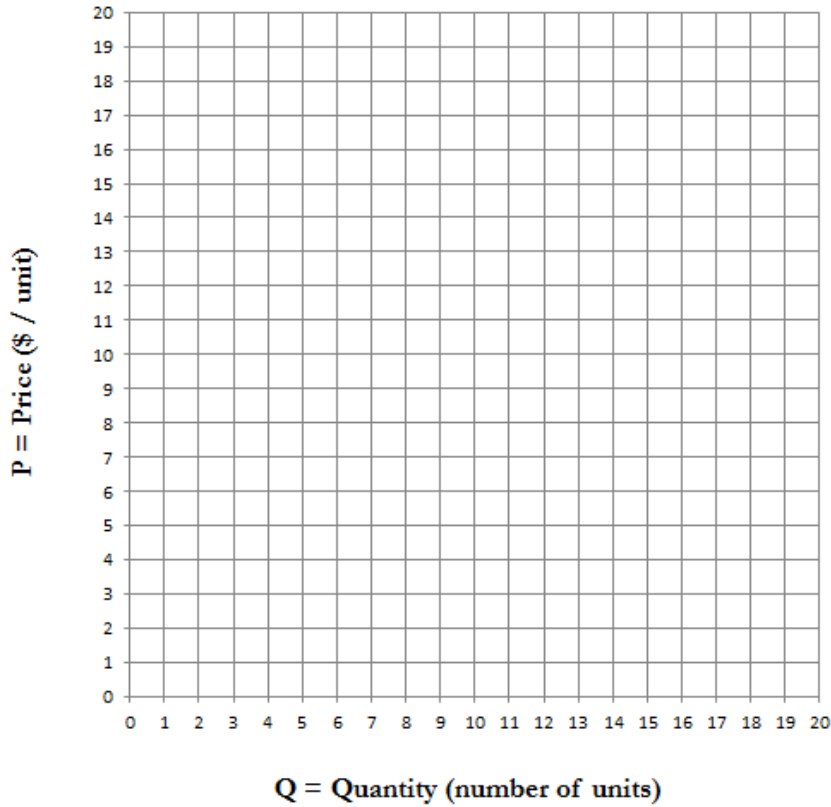
Plot the supply and demand curves:
S: $P = 1 + 1(QS)$
D: $P = 9 - 1(QD)$

Equilibrium: $Q^E = $ (B1)_____
              $P^E = $ (B2) _____
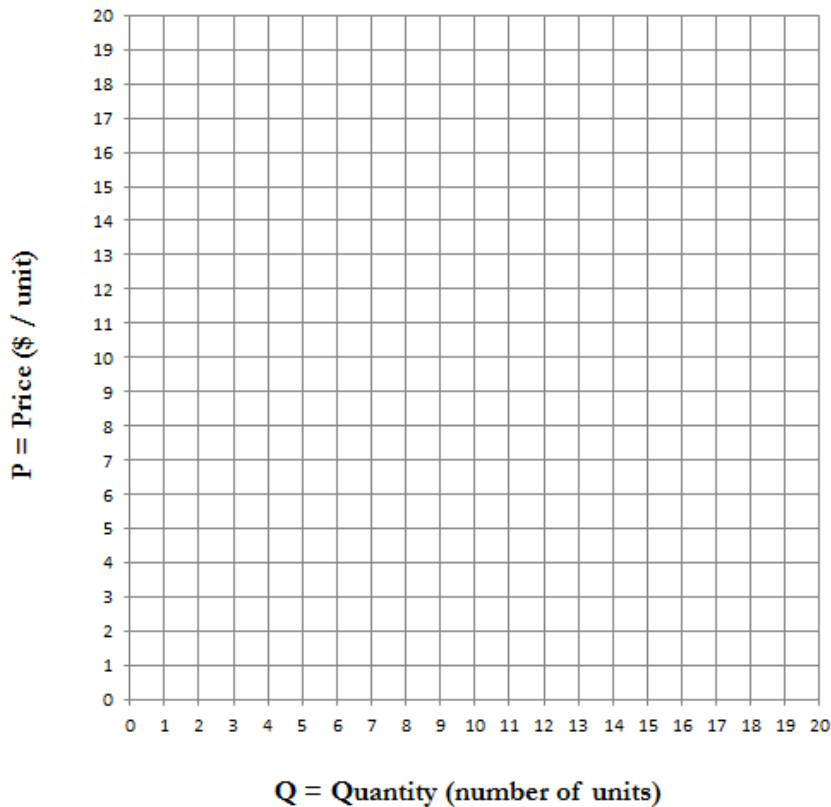
The supply curve is also a

(B3)_____
curve.
The demand curve is also a
(B4)_____
curve.

The supply curve is upward-sloping because producers require a

(B5)_____ price before they increase production.

P = Price ($ / unit)

(Graph: Q = Quantity (number of units), axis 0–20 horizontal, 0–20 vertical)

Q = Quantity (number of units)

Plot the supply and demand curves
S: $P = 2 + 2(QS)$
D: $P = 18 - 2(QD)$

Equilibrium: $Q^E =$ (B6) _____
              $P^E =$ (B7) _____

Now suppose that the demand curve formula changes to
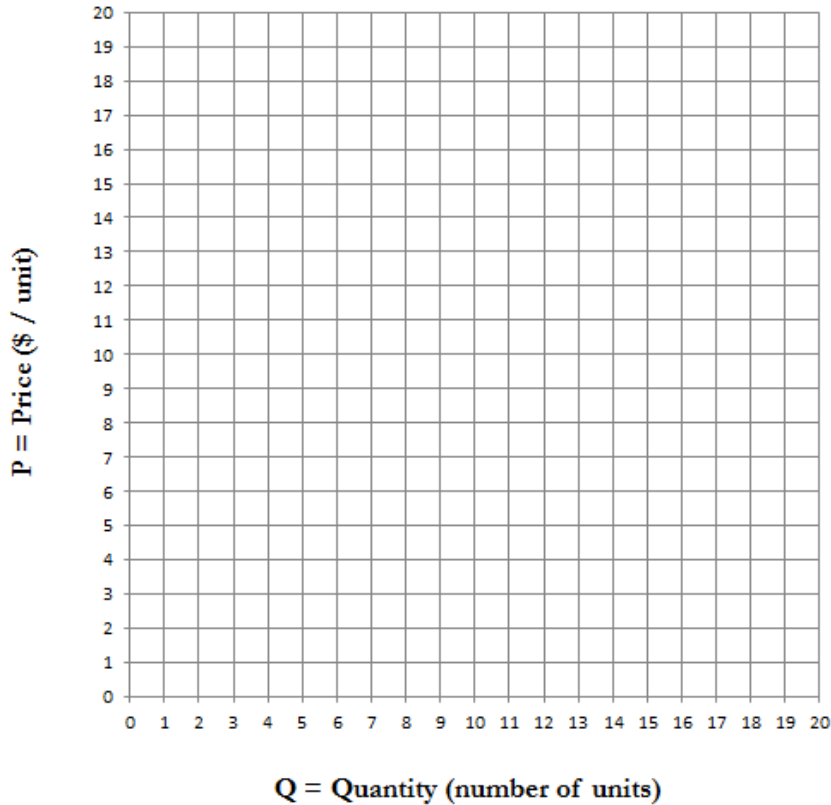
D' : $P = 14 - 2(QD)$

Under this new demand curve, consumers value each unit
(B8)_____ then they did before.

This new formula represents a(n)

(B9)_____ in demand.

1

P = Price ($ / unit)

Q = Quantity (number of units)

Plot the supply and demand curves:

S: $P = 10 + 0.5(QS)$

D: $P = 15 - 2(QD)$

Equilibrium: $Q^E = $ *(B10)*_____

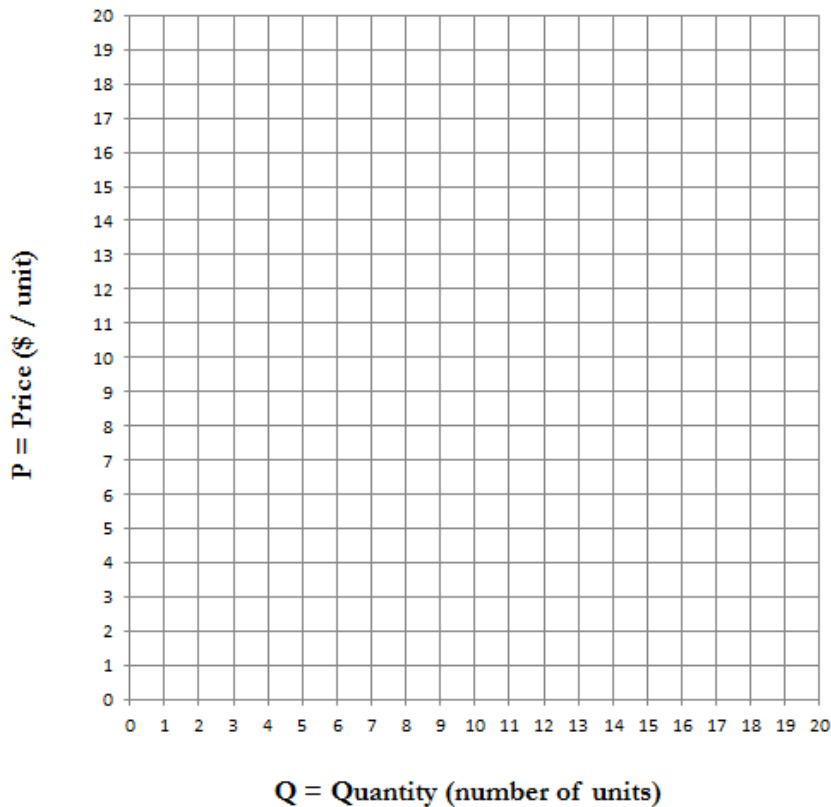$P^E = $ *(B11)*_____

Suppose the supply curve changes to:

S' : $P = 10 + 3(QS)$

This new supply curve represents a(n) *(B12)*_____ in supply.

Under this new supply curve the marginal cost of producing each good *(B13)*_____.

After this shift the equilibrium price of the good is *(B14)*_____ and the quantity is *(B15)*_____.

P = Price ($ / unit)

Q = Quantity (number of units)

Plot the supply and demand curves

S: $P = 6 + 2(QS)$

D: $P = 14 - 2(QD)$

Equilibrium: $Q^E =$ *(B16)*_____

$P^E = $ *(B17)*_____

Now suppose that the demand curve formula changes to
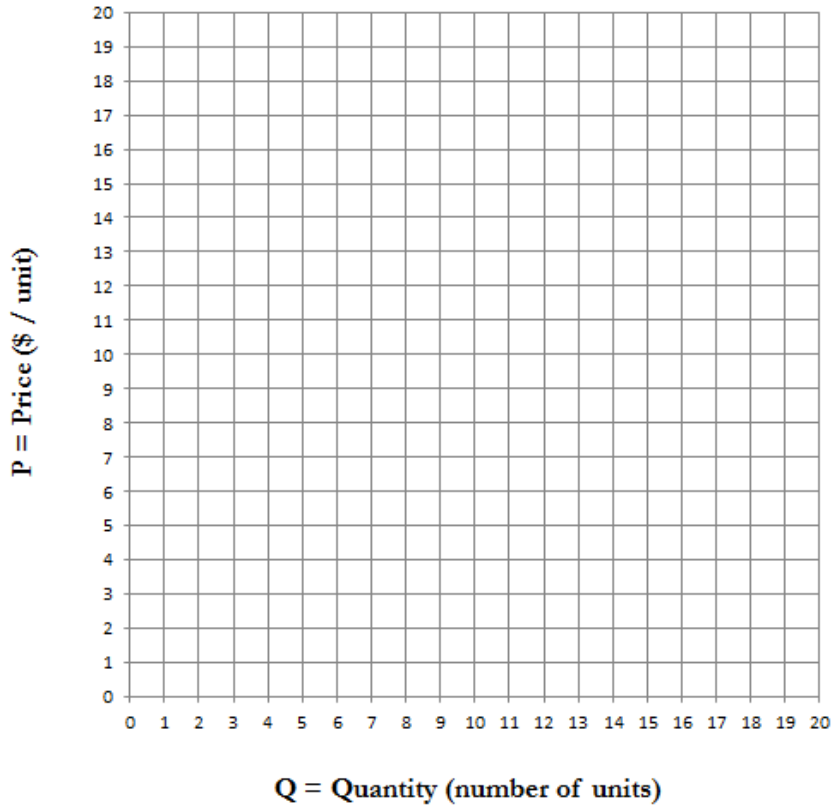
D' : $P = 18 - 2(QD)$

This new formula represents a(n)

*(B18)*_____ in demand.

Suppose these are the supply and demand curves for beef. This shift in the beef demand curve could then be caused by a(n) *(B19)*_____ in pork prices.

P = Price ($ / unit)

Q = Quantity (number of units)

Plot the supply and demand curves:

S: $P = 6 + 1(QS)$

D: $P = 16 – 1(QD)$

Equilibrium: Q^E = *(B20)*_____
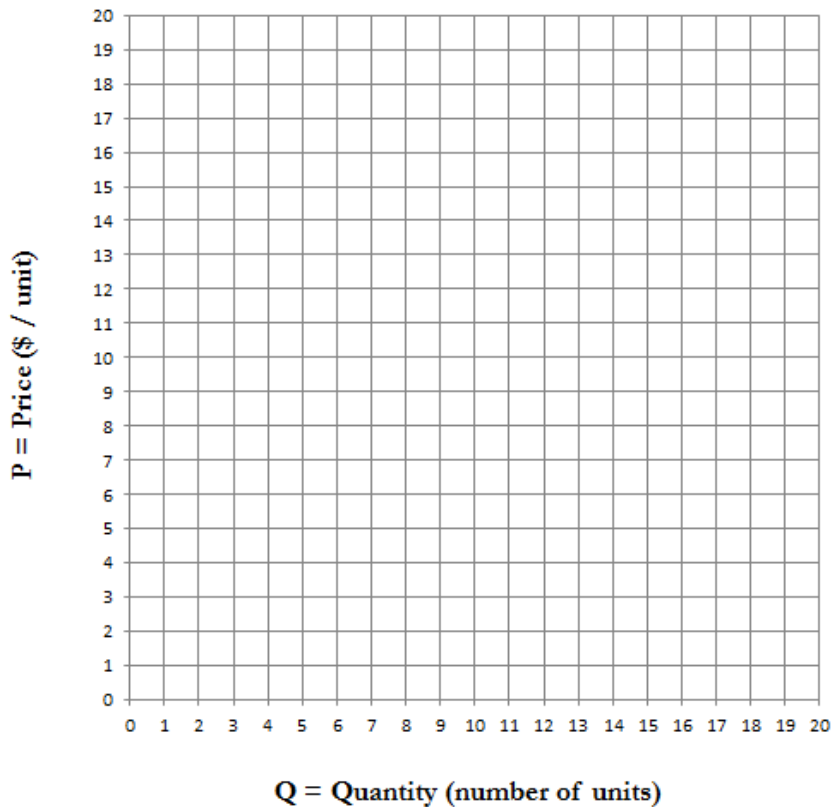
P^E = *(B21)*_____

Suppose the supply curve formula changes to

S' : $10 + 1(QS)$

This shift denotes a(n) *(B22)*_____ in supply   because at any given price suppliers will now produce *(B23)*_____ at any given price.

After this shift the equilibrium price of the good *(B24)*_____ and the quantity *(B25)*_____.

P = Price ($ / unit)

Q = Quantity (number of units)

Plot the supply and demand curves
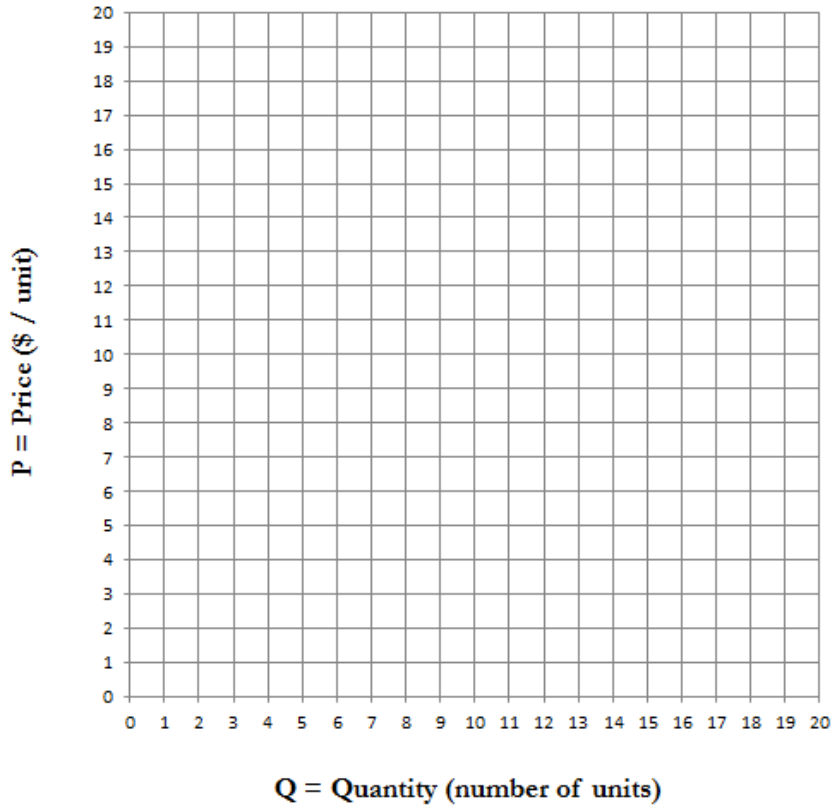
S: $P = 8 + 2(QS)$

D: $P = 18 – 3(QD)$

Label the equilibrium price and quantity as P^E and Q^E, respectively.

Illustrate an increase in demand by shifting the demand curve appropriately and labeling it D'.

Draw your new demand curve as a parallel shift, where the intercept of the demand curve formula changes but the slope does not.

This new demand curve has a *(B26)*_____ intercept than the old demand curve.

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**P = Price ($ / unit)**

Q = Quantity (number of units)

Plot the supply and demand curves

S: P =10 + 1.5(QS)

D: P = 20 – 3.5(QD)

Label the equilibrium price and quantity as P^E and Q^E, respectively.

Illustrate an increase in supply by shifting the supply curve appropriately and labeling it S'.

Draw your new supply curve using the same intercept of 10 but a different slope.

This new supply curve slope is *(B27)*_____ than the old supply curve.
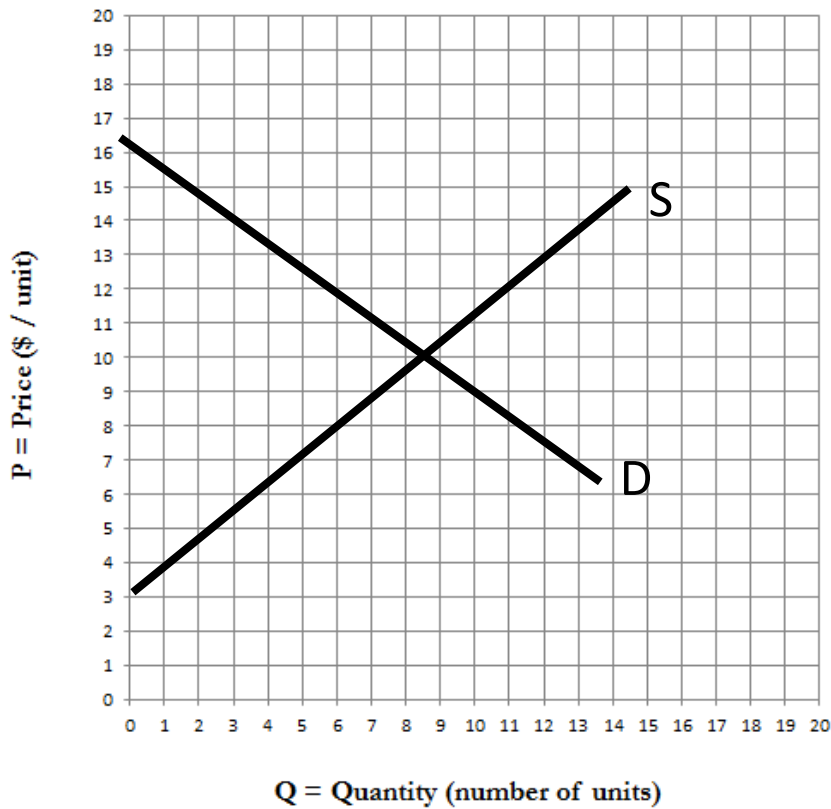
P = Price ($ / unit)

S

D

Q = Quantity (number of units)

To the left are arbitrary supply and demand curves. Illustrate an increase in demand by shifting the demand curve appropriately.

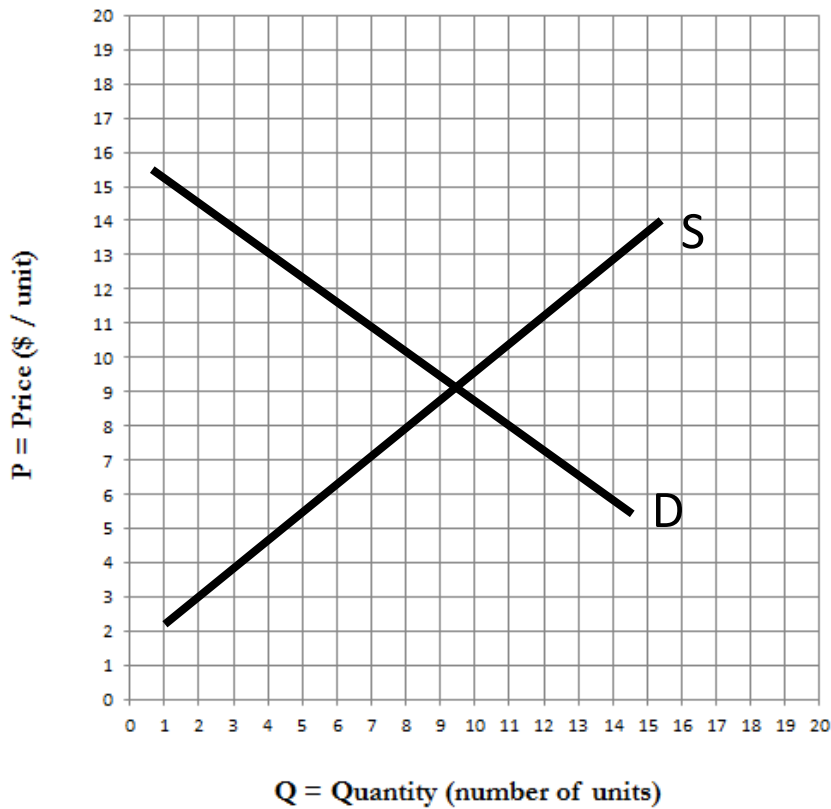Due to this demand increase, the equilibrium price *(B28)*_____ and the equilibrium quantity *(B29)*_____.

4

P = Price ($ / unit)

Q = Quantity (number of units)
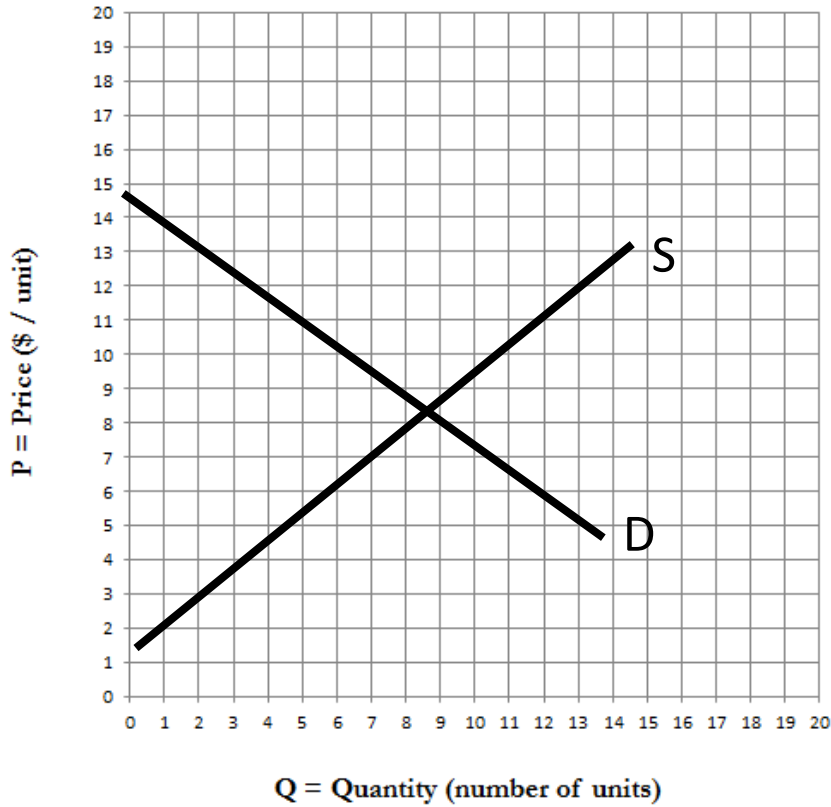
To the left are arbitrary supply and demand curves. Illustrate a decrease in demand by shifting the demand curve appropriately.

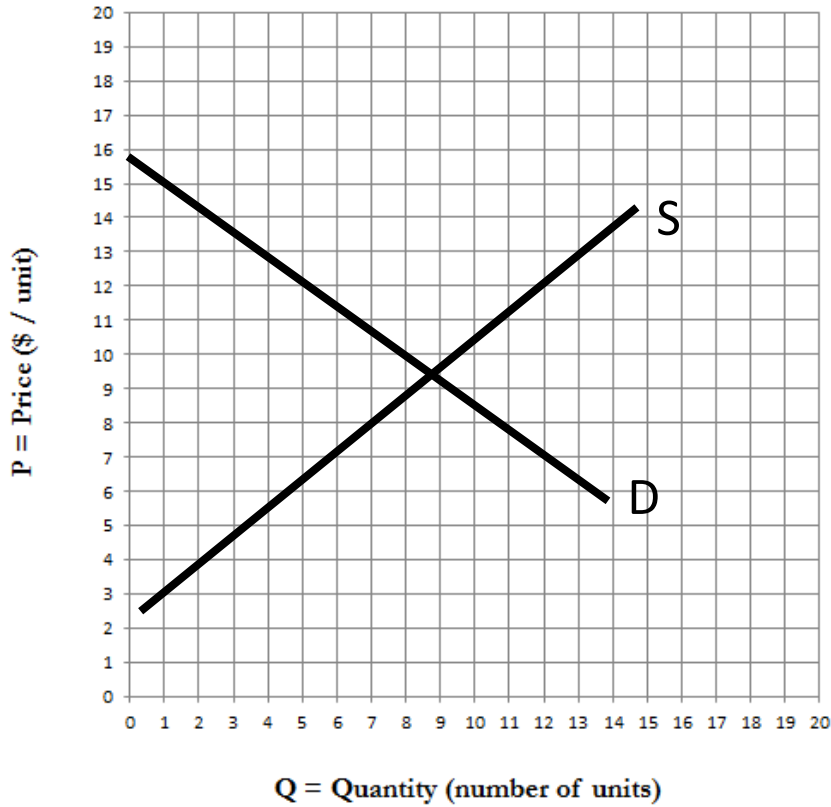Due to this demand decrease, the equilibrium price *(B30)*_____ and the equilibrium quantity *(B31)*_____.

P = Price ($ / unit)

Q = Quantity (number of units)

To the left are arbitrary supply and demand curves. Illustrate an increase in supply by shifting the supply curve appropriately.

Due to this supply increase, the equilibrium price *(B32)*_____ and the equilibrium quantity *(B33)*_____.

P = Price ($ / unit)

S

D

Q = Quantity (number of units)

To the left are two supply and demand curves. Illustrate an decrease in supply by shifting the supply curve appropriately.
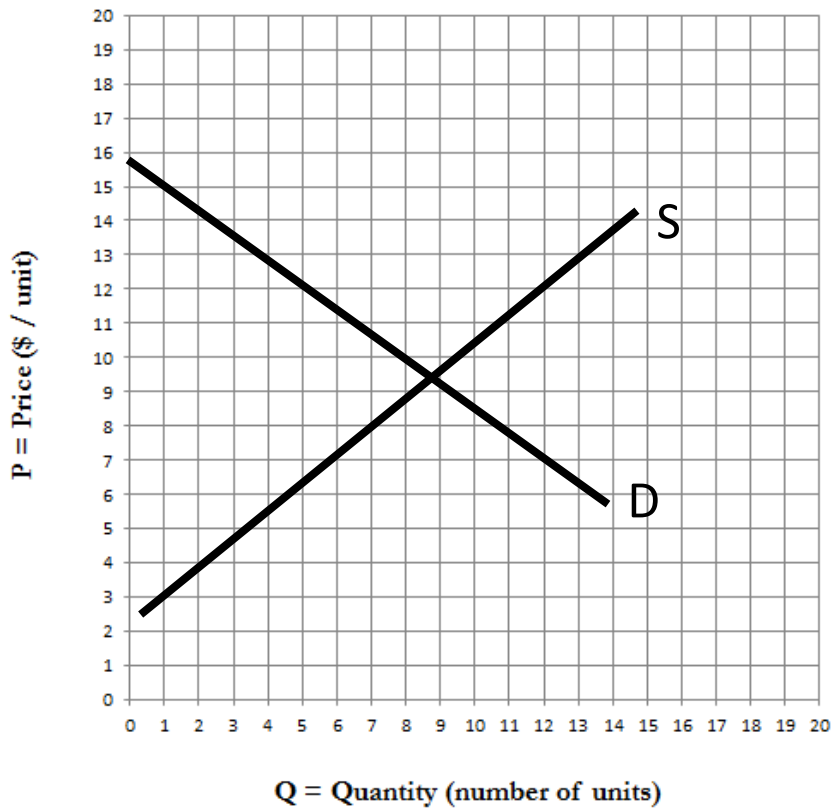
Due to this supply decrease, the equilibrium price (B34)_____ and the equilibrium quantity (B35)_____.

P = Price ($ / unit)

S

D

Q = Quantity (number of units)

To the left are arbitrary supply and demand curves. Suppose we know that the equilibrium price decreases and the equilibrium quantity increases. Identify the shift in one and only one curve that could cause this.

For price to fall and quantity to rise, the (B36)_____ curve must shift(B37) _____, illustrating a(n) (B38)_____ in (B39)_____.