

Demand, law of demand, changes in demand and quantity demanded

1. The following is a demand schedule for corn:

Price per Bushel	Quantity Demanded (000s bushels per week)	
	a	b
\$4.00	850	_____
3.75	900	_____
3.50	950	_____
3.25	1000	_____
3.00	1050	_____
2.75	1100	_____
2.50	1150	_____

- Plot the demand curve on the diagram below.
- What kind of relationship exists between the price per bushel of corn and the quantity of corn demanded?
- Assume that the prices of other vegetables are falling relative to the price of corn. Will this cause the demand curve to shift? Why?
- Assume that the quantity of corn demanded decreases by 50,000 bushels at every price level. Show the impact of this by completing column b above.
- Show the impact from part d on the demand curve that you plotted in part a.

2. List six nonprice determinants of demand.

3. Indicate for each of the following if a demand curve for automobiles will shift to the right (R), left (L), or remain unchanged (U):

- _____ Auto prices fall
- _____ Price of gasoline triples
- _____ Incomes decrease
- _____ Stock market gains increase wealth
- _____ Public transit fares fall to zero
- _____ Auto price increase expected

Supply, law of supply, changes in supply and quantity supplied

4. The following is a supply schedule for corn:

Price per Bushel	Quantity Supplied (000s of bushels per week)	
	a	b
\$4.00	1600	_____
3.75	1400	_____
3.50	1200	_____
3.25	1000	_____
3.00	800	_____
2.75	600	_____
2.50	400	_____

- a. Plot the supply curve on the diagram below.
 - b. Is there a positive or negative relationship between the price of corn and the quantity of corn supplied? Explain.
 - c. Suppose a serious drought reduces corn output at each price by 100,000 bushels. Show the impact in column b above by completing the table.
 - d. Plot the new supply curve from column b on the diagram from part a.
5. List five nonprice determinants of supply:
 6. Which of the following will cause the supply curve for hamburgers to shift to the right (R), left (L), or remain unchanged (U)?
 - a. _____ Increase in the price of hamburger meat
 - b. _____ Increase in the price of hamburgers
 - c. _____ Increase in the price of chicken nuggets
 - d. _____ Introduction of new cost-saving technology in the hamburger industry.

Market equilibrium price and quantity; shortages and surpluses

7. The table below contains the price, quantity supplied, and quantity demanded.

Price per Bushel	Quantity Demanded		Quantity Supplied	
	(a)	(b)	(c)	(d)
\$4.00	850	_____	1600	_____
3.75	900	_____	1400	_____
3.50	950	_____	1200	_____
3.25	1000	_____	1000	_____
3.00	1050	_____	800	_____
2.75	1100	_____	600	_____
2.50	1150	_____	400	_____

a. From the table above, determine the market equilibrium price and quantity in bushels.

b. On the diagram below, plot both the demand and supply curves. Identify the equilibrium price and quantity.

c. At a price of \$3.75, a _____ exists in the amount of _____ because quantity demanded is _____ than quantity supplied.

d. At a price of \$2.75, a _____ exists in the amount of _____ because quantity demanded is _____ than quantity supplied.

e. What is meant by the statement that competitive markets are self-equilibrating?