

Supply, Demand, and Equilibrium

Names _____

Task # 1 - Quick Quiz: You have **4 minutes** to complete. Take 2 minutes to complete alone, and then compare answers with your partner.

Each of the following is a determinant of Supply (S), Demand (D), or neither (X) in the product market. Remember, determinants are the “shifters” – a change in any one of these conditions shifts the entire curve in (to the left) or out (to the right)

Determinant?	S, D, or X	Determinant?	S, D, or X
1. Tastes or preferences of consumers		8. Size of the population	
2. Resource prices (costs)		9. Prices of Substitute goods	
3. Number of sellers		10. Expectations related to future costs or resource availability	
4. Consumer Expectations about future prices or income.		11. Taxes or Subsidies	
5. Price of the Good		12. Number of Consumers	
6. Incomes of consumers		13. Prices of Complements	
7. Technology		14. Opportunity cost of producing another good.	

15. One of these above could arguably shift both supply and demand curves. Which one? _____.

Task #2 – Unit 2, Lesson 10 – 20 minutes.

You and your partner should EACH complete Unit 2, Activity 1, but work together on finding the right answers. You may be asked to turn in the Activity with this paper.

Task # 3 – In the News. You have **the remainder of the period** to complete. Use the laptops, if available.

Find a recent news article that illustrates a change in market price for a good or service. Analyze the market changes using the following as a guide.

1. This article is about the market for _____ (identify the good or service).
2. What has happened to the price and/or quantity of the product or service at issue?
3. What caused this change? A change in Demand, Supply or both?
4. Draw a supply and demand graph illustrating the changes you identified above. Be sure to properly label your graphs and clearly indicate the shifts in the curve(s) and the resulting new price and quantity.
5. Cite for your article: _____

Draw Supply and Demand Model here:

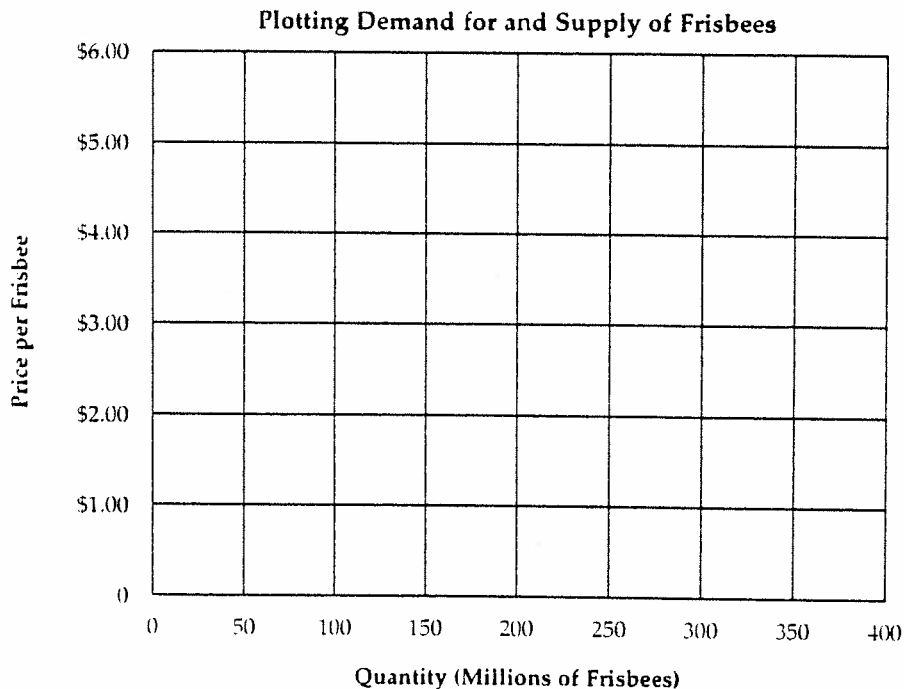
PP 1 Unit 2, Lesson 10
Activity 1

Equilibrium Prices and Equilibrium Quantities

Below is a table showing the demand for Frisbees and the supply of Frisbees. Plot these data on the axes provided. Label the demand curve "D" and the supply curve "S." Then answer the questions that follow.

Demand for and Supply of Frisbees

Price (\$ per Frisbee)	Quantity Demanded (millions of Frisbees)	Quantity Supplied (millions of Frisbees)
\$1.00	300	100
\$2.00	250	150
\$3.00	200	200
\$4.00	150	250
\$5.00	100	300



Fill in the answer blanks or cross out the incorrect words in parentheses.

- Under these conditions, competitive market forces would tend to establish an equilibrium price of \$ _____ per Frisbee and an equilibrium quantity of _____ million Frisbees.
- If the price currently prevailing on the market is \$4.00 per Frisbee, buyers would want to buy _____ million Frisbees and sellers would want to sell _____ million Frisbees. Under these conditions, there would be a (*shortage/surplus*) of _____ million Frisbees. Competitive market forces would tend to cause the price to (*increase/decrease*) to a price of \$ _____ per Frisbee.
- At this new price, buyers would now want to buy _____ million Frisbees, and sellers would now want to sell _____ million Frisbees. Because of this change in (*price/underlying conditions*), the (*demand/quantity demanded*) changed by _____ million Frisbees, and the (*supply/quantity supplied*) changed by _____ million Frisbees.

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Unit 2 | STUDENT ACTIVITIES

- D. If the price currently prevailing on the market is \$2.00 per Frisbee, buyers would want to buy _____ million Frisbees and sellers would want to sell _____ million Frisbees. Under these conditions, there would be a (*shortage/surplus*) of _____ million Frisbees. Competitive market forces would tend to cause the price to (*increase/decrease*) to a price of \$_____ per Frisbee.
- E. At this new price, buyers would now want to buy _____ million Frisbees, and sellers would now want to sell _____ million Frisbees. Because of this change in (*price/underlying conditions*), the (*demand/quantity demanded*) changed by _____ million Frisbees, and the (*supply/quantity supplied*) changed by _____ million Frisbees.
- F. Now suppose that an increase in the cost of plastic used to make Frisbees causes the supply curve to change as follows:

Change in Supply of Frisbees

Price (\$ per Frisbee)	Quantity Supplied (millions of Frisbees)
\$2.00	50
\$3.00	100
\$4.00	150
\$5.00	200

Plot the new supply schedule (on Plotting Demand for and Supply of Frisbees) and label it S_1 . Label the new equilibrium E_1 . Under these conditions, competitive market forces would tend to establish an equilibrium price of \$_____ per Frisbee and an equilibrium quantity of _____ million Frisbees. Compared to the equilibrium price in question A, we say that, because of this change in (*price/underlying conditions*), the (*supply/quantity supplied*) changed, and both the equilibrium price and the equilibrium quantity changed. The equilibrium price (*increased/decreased*) and the equilibrium quantity (*increased/decreased*).

- G. Now with the supply schedule at S_1 , suppose further that a sharp drop in people's incomes as the result of a nationwide recession causes the demand schedule to change to the following:

Change in Demand for Frisbees

Price (\$ per Frisbee)	Quantity Demanded (millions of Frisbees)
\$1.00	200
\$2.00	150
\$3.00	100
\$4.00	50

Plot the new demand schedule (on Plotting Demand for and Supply of Frisbees) and label it D_1 . Label the new equilibrium E_1 . Under these conditions, with the supply schedule at S_1 , competitive market forces would tend to establish an equilibrium price of \$_____ per Frisbee and an equilibrium quantity of _____ million Frisbees. Compared to the equilibrium price in question F, because of this change in (*price/underlying conditions*), the (*demand/quantity demanded*) changed. The equilibrium price (*increased/decreased*) and the equilibrium quantity (*increased/decreased*).

