

Supply & Demand Homework Questions

1. Apple introduces a new version of the iPhone and there are lines around the corner to purchase the new phone. Does that mean that Apple has created or increased demand? Defend your response.
2. How does the Law of Demand interact with the Law of Diminishing Marginal Utility (Econ Basics unit)?
3. According to the substitution effect, what sort of behavior would we predict if the price of gasoline rises to \$10/gallon? Be specific.
4. According to the substitution effect, what sort of behavior would we predict if the price of water went to \$100/gallon? Be specific.
5. According to the substitution effect, what sort of behavior would we predict if the price of orange juice went to \$100/gallon? Be specific.
6. What economic concept accounts for the differences in questions 3-5? Describe in detail how that concept applies in those cases.
7. A local pizza company did some research and discovered the following data about how many people would buy a large pizza at a variety of prices. 172 people would buy at \$4, 32 people would buy at \$14, 107 people would buy at \$8, 23 people would buy at \$16, 148 people would buy at \$6, 61 people would buy at \$10, 47 would buy at \$12. Construct a properly formatted demand schedule based on the above information.
8. Construct a properly formatted demand curve based on the demand schedule you created in #7.
9. What is the difference between a shift in a demand curve and movement along the demand curve?
10. Mr. Busby has decided to take advantage of his keen fashion sense and open a clothing store. Give two examples of events that would shift the demand curve for Mr. Busby's store. Explain in what direction it would shift and why it would shift for each example.
11. The government announces that it is eliminating corporate income tax. Will this create an increase in aggregate supply in the economy? Defend your response.
12. What limits are there on the Law of Supply? Why are these factors limitations?
13. The school district did a recent survey of tutors to determine how many hours per week they would be willing to tutor at various prices. The results found that tutors would work 40 hours for \$80/hr, 22 hours for \$50/hr, 13 hours for \$25/hr, 36 hours for \$70/hr, 8 hours for \$20/hr, 19 hours for \$40/hr, 16 hours for \$30/hr, and 33 hours for \$65/hr. Construct a properly formatted supply schedule based on the above information.
14. Construct a properly formatted supply curve based on the supply schedule you created in #13.
15. What is the relationship between created supply and demand schedules and what we know about constructing opinion polls?
16. A series of restaurants close in the Conejo Valley. Identify the potential shifts in the supply curve that may have caused this outcome and discuss why those shifts would cause that outcome.

17. Use the following information to construct supply and demand schedules and curves (make sure to label everything). Please also note the equilibrium price.

At a price of \$45, Nike will produce 1000 sneakers per month. At \$100, they will produce 3500 sneakers per month, at \$75 2750 sneakers, at \$50, 1750 sneakers, at \$200, 10,000 sneakers, at \$110 4750 sneakers, at \$60, 2500 sneakers.

At \$30 consumers will purchase 10,000 sneakers, at \$155, 1250 sneakers, at \$55, 7000 sneakers, at \$175, 1100 sneakers, at \$75, 2750 sneakers, at \$125, 1800 sneakers, at \$90, 2200 sneakers.

18. The city of Agoura Hills is discussing placing controls on rent, limiting what landlords could charge for rental properties. Draw a supply & demand graph that represents this possibility. Does this scenario represent a price ceiling or a price floor? What would be the economic outcome of this policy? Would you support such a policy? Why or why not?

19. Congress is considering raising minimum wage, requiring businesses to pay their employees a higher wage. Draw a supply & demand graph that represents this possibility. Does this scenario represent a price ceiling or a price floor? What would be the economic outcome of this policy? Would you support such a policy? Why or why not?

20. Identify two products, one with a high elasticity of demand and one with a low elasticity of demand. What causes each outcome regarding that product?

21. Identify two products, one with a high elasticity of supply and one with a low elasticity of supply. What causes each outcome regarding that product?

22. What is the nature of the relationship between consumers and businesses in the cycle of economic activity? Be specific and thorough in your response.