

The Digital Economist

Principles of Macroeconomics

Worksheet #3: **Markets**

Name: _____

1. Given the following equations representing the behavior of producers and consumers:

$$\text{Consumers: } Q_d = 100 - 6P$$

$$\text{Producers: } Q_s = 4P$$

Complete the following table:

Price	Quantity Demanded	Quantity Supplied	Difference
16			
14			
12			
10			
8			
6			
4			
2			
0			

a. What price corresponds to the *equilibrium price* for this market: _____

What is the *equilibrium quantity*? _____

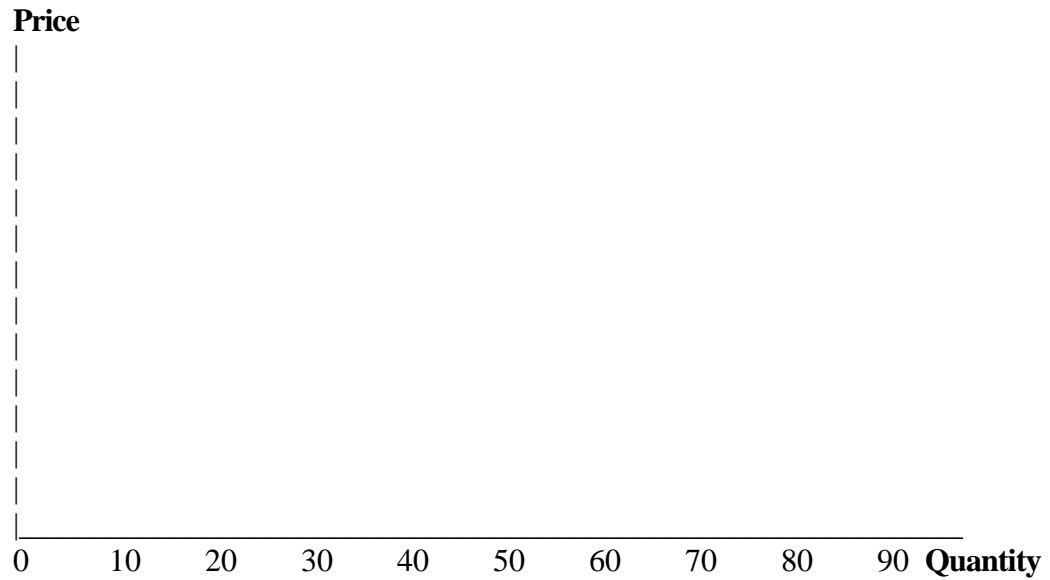
b. Over what range of prices does a *Surplus* result? _____

c. Over what range of prices does a *Shortage* result? _____

d. If a surplus exists, explain the process by which market prices will adjust?

Will these prices adjust upwards or downwards? _____

e. On the next page, graph the above price and quantity data and carefully label the Supply curve, Demand curve, Equilibrium price, and Equilibrium quantity.



2. Use arrows to describe an increase or decrease in equilibrium quantity Q_e and equilibrium price P_e in the middle columns given the "events" described for the following markets. If the resulting impact on price or quantity cannot be determined, use a question mark in place of arrows. In the last column, describe whether the event affects the *supply-side*, the *demand-side* of the market or *both-sides* of the market.

	Market	Event	Q_e	P_e	Supply/ Demand Side
A.	<i>Oranges</i>	An unexpected freeze destroys the Orange Crop:	_____	_____	_____
B.	<i>Personal Computers</i>	The price of Internet Access is reduced:	_____	_____	_____
C.	<i>Autos</i>	An increase in the price of gasoline <u>and</u> an improvement in production technology:	_____	_____	_____
D.	<i>Housing in Boulder</i>	Zoning laws restrict new construction within the Boulder City limits:	_____	_____	_____
E.	<i>Restaurant Meals</i>	The government mandates a 10% increase in wages <i>And</i> incomes:	_____	_____	_____