

Week 2 Activities

ECON 201 – Dr. Jackson

1. If we want to draw a graph showing the market for hammers, what is on the vertical axis and what is on the horizontal axis? Be specific.

2. ABCD: Draw a graph that shows an increase in quantity demanded. On a separate graph, draw an increase in demand.

3. Would each of the following situations increase, decrease, or not change the demand for movie tickets? If demand will change, draw a graph showing the change in demand.
 - a) Movies are not available to watch at home until two years after they leave the theater
 - b) The U.S. enters a recession (so incomes go down)
 - c) The price of a movie ticket increases
 - d) The price of popcorn, a complement to movie tickets, decreases
 - e) A new study reports that movie theater screens cause cancer
 - f) The wages for actors go up

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4. ABCD: Ceteris paribus is a Latin phrase that means “all else held constant”. How does the assumption of ceteris paribus apply to the supply & demand model?

5. ABCD: Why is the supply curve sloped upwards?

6. ABCD: Explain the relationship between the PPC and the supply curve.

7. ABCD: Why does a snow storm in Florida in May affect the supply of oranges and not the demand for oranges, but affects the demand for ice cream and not the supply of ice cream?

8. Would each of the following situations increase, decrease, or not change the supply of oil? If supply will change, draw a graph representing the change in supply.

- a) Iran blockades the Strait of Hormuz (through which most oil from the Middle East is shipped)
- b) A new substitute for oil is invented
- c) A new technology is developed that allows oil to be pumped from even deeper reservoirs
- d) A massive earthquake shakes Russia (a major producer of oil) into the sea
- e) The price of oil falls
- f) A new oil field is discovered in Australia

9. ABCD: If there is currently a surplus of apples, what will happen next in the market for apples?

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Record here what Dr. Jackson says about WHY the price changes that bring the market to equilibrium occur.

10. ABCD: If the market price of apples is \$2/pound and the government passes a law that says apples must be priced at \$1/pound, would consumers be better off or worse off from this lower price?