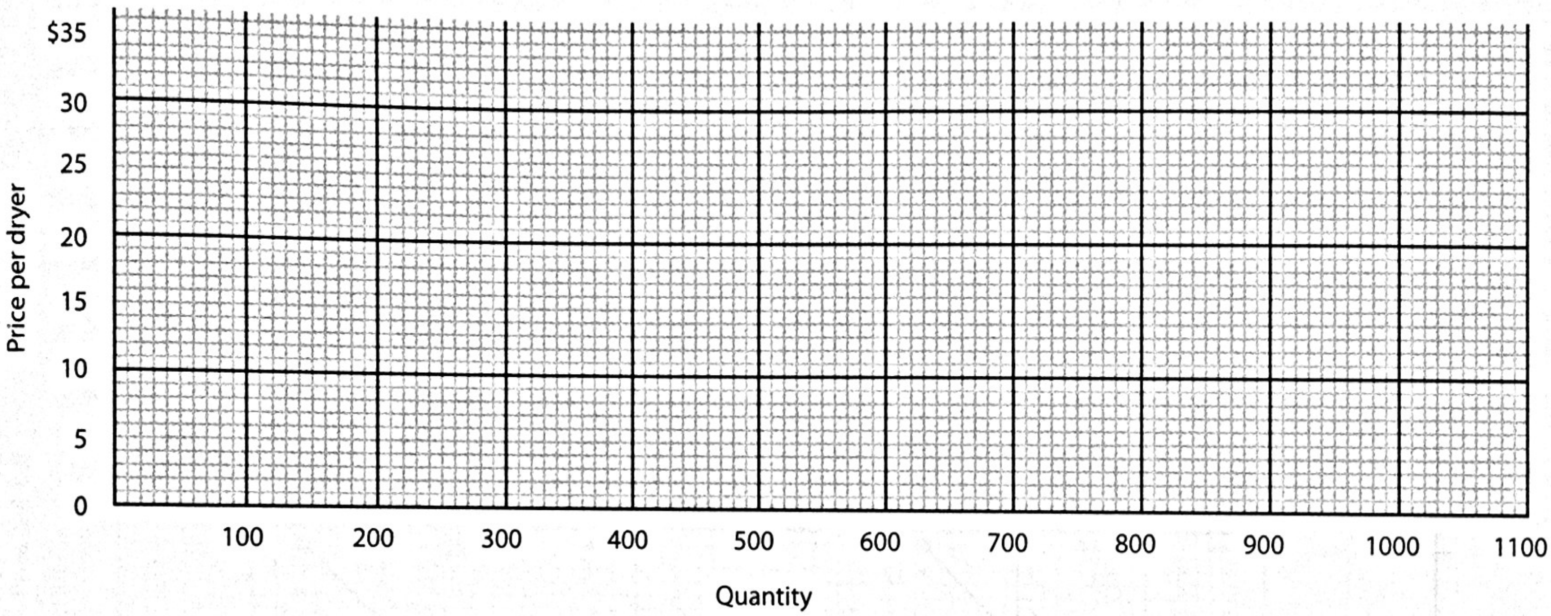
Chapter 4 Activity 1

Graphing

1. Market research has determined that a certain retail business will be willing to sell its new *Whoosh!* model electric hair dryer in the following quantities for the prices given in Supply Schedule 1. Use this information to construct a supply curve for the hair dryers on the graph provided. Label the supply curve "S_1."

Supply Schedule 1

Price	Quantity supplied (units)
$6.00	100
8.00	500
10.00	725
13.00	850
17.00	900
30.00	1,000



2. Suppose that the cost of the heating elements used in the hair dryers doubled in price, causing the firm to reevaluate the quantities they would be willing to sell at any given price. Because of this change, the supply schedule has been modified. Add a new supply curve to the graph you just completed and label it "S_2."

Supply Schedule 2

Price	Quantity supplied (units)
$14.00	100
15.00	325
17.00	575
19.00	675
30.00	800

_______ 3. On S_2 approximately how many *Whoosh!* hair dryers will be supplied at a price of $21.00?

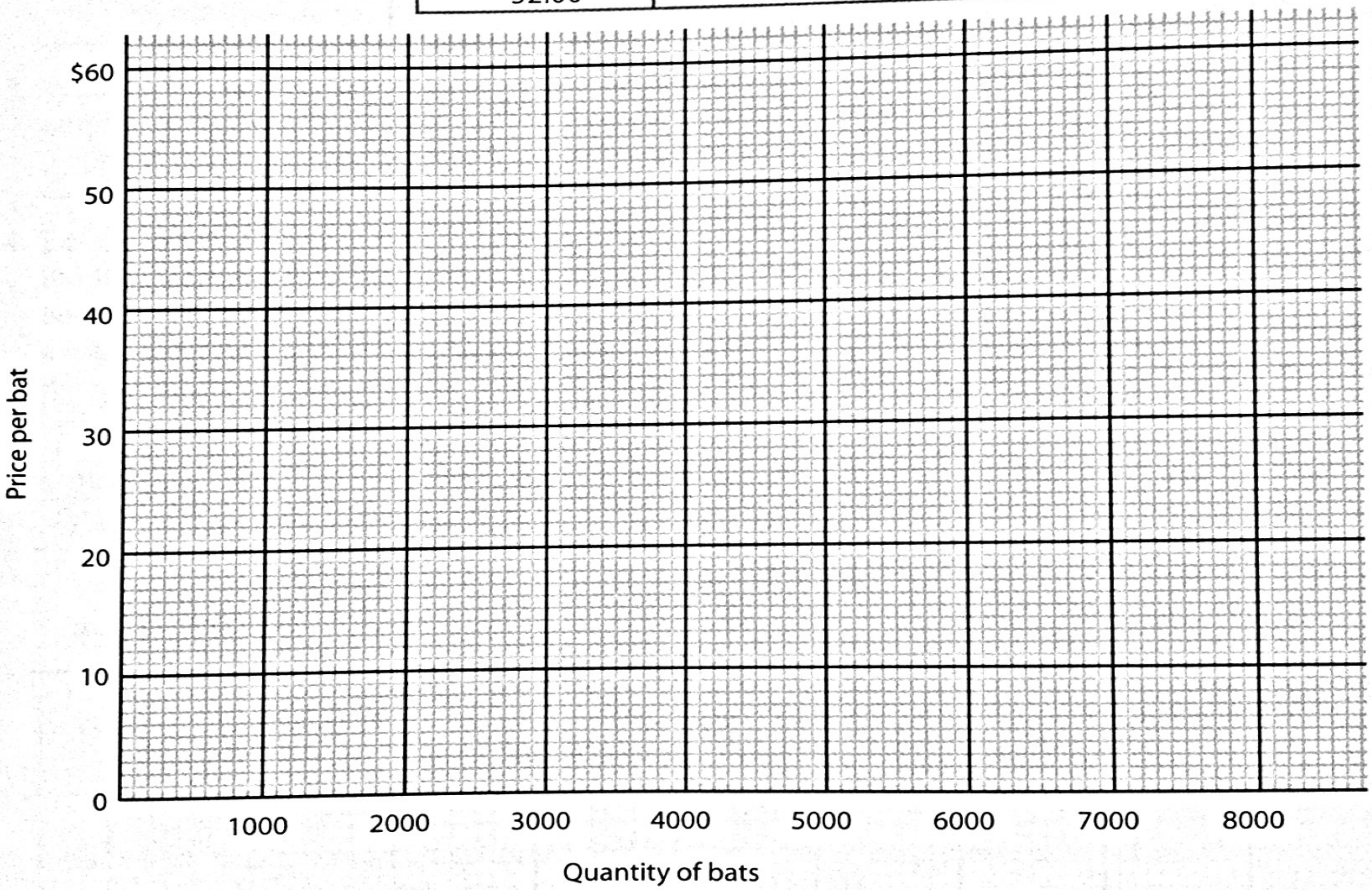
_______ 4. On S_2 approximately what price would customers have to pay if the demand were for 450 *Whoosh!* hair dryers?

Chapter 4 Activity 3

Supply and Demand Curves

Use the supply and demand schedules for the Lexington Slugger baseball bat to plot both supply and demand curves on the graph provided. Complete and label the graph and answer the questions that follow. ***Be sure to mark the graph to prove your answers.***

Lexington Slugger Supply and Demand Schedule		
Price per bat	**Quantity supplied**	**Quantity demanded**
$4.00	1,000	8,000
6.00	2,500	5,500
10.00	4,000	4,000
16.00	4,750	2,250
32.00	6,000	1,500
52.00	7,000	1,000



_______ 1. What is the market equilibrium price for the Lexington Slugger?

_______ 2. What quantity of baseball bats will be sold at the equilibrium price?

3. What would be the surplus or shortage of Lexington Sluggers if the price were set at $32.00 per bat?

____

4. What would be the surplus or shortage of Lexington Sluggers if the price were set at $4.00 per bat?

____

Chapter 4 Activity 5

True/False

Write *T* for True or *F* for False.

_____ 1. The law of supply shows how the quantity supplied changes as the price that buyers are willing to pay changes.

_____ 2. A typical supply curve slopes downward from left to right.

_____ 3. If the price of a good rises, the quantity supplied increases.

_____ 4. A leftward shift of the supply curve indicates that a seller is willing to sell less of a good at every possible price.

_____ 5. Technological improvements cause a good's supply curve to shift to the left.

_____ 6. A price above the market equilibrium price results in a surplus.

_____ 7. A greeting card manufacturer gets a special, reduced price on envelopes. This lower cost of production will cause the supply curve to shift to the right.

_____ 8. On a supply and demand graph, a price floor keeps the price above the equilibrium market price.

_____ 9. On a supply and demand graph, there is only one price at which sellers will sell all they wish to sell at the same time that buyers will purchase all they wish to buy.

_____10. The market solution to a surplus is to stimulate enough demand to absorb the excess.

Matching

To the left of each number, place the letter of the definition or example that best corresponds to the item. Each answer is used only once.

_____11. caused by a change in the price buyers are willing to pay

_____12. a result of cutting production

_____13. a barrier preventing a price from falling

_____14. caused by a change in production costs

_____15. no surpluses or shortages

_____16. caused by the price's being higher than the market price

_____17. solved by allowing the price to rise

_____18. rent control

A. leftward shift of the supply curve
B. price floor
C. surplus
D. price ceiling
E. equilibrium price
F. change in quantity supplied
G. shortage
H. change in supply

Completion

Fill in the blank with the word that correctly completes the sentence.

19. ____________________ is defined as the amount of goods and services business firms are willing and able to provide at different prices.

20. The law of supply says that as the price consumers are willing to pay for a good ____________________, suppliers will be willing to supply a greater quantity.

Short Answer

21. Explain why the law of supply works.

22. What three conditions will cause a shift of the supply curve for a good or service?

23. Why will a shortage always occur when the price of a good is held below its equilibrium price?

24. What are the three possible solutions to a surplus?

25. What do you think would happen if the government passed a law that made $1.00 the maximum price a merchant could charge for a good that has a current equilibrium market price of 59¢? Why? Illustrate your answer on the graph provided below. Make up the quantity and price data for your product's supply and demand curves and include the government's intervention. Label all the information you graph.