

Name _____ Date _____ Class Economics



SUPPLY AND DEMAND CURVES

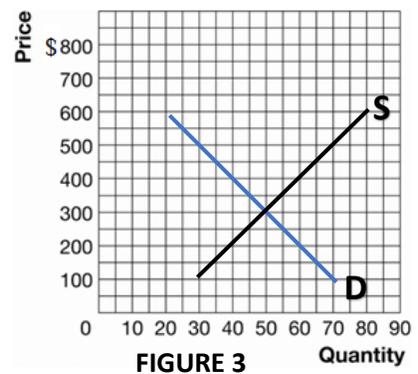
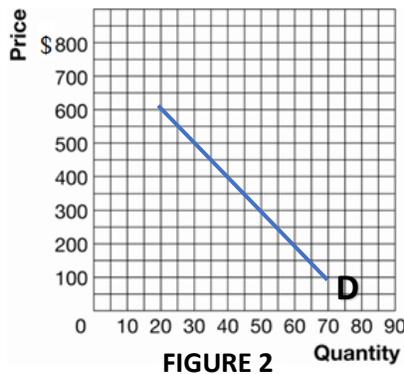
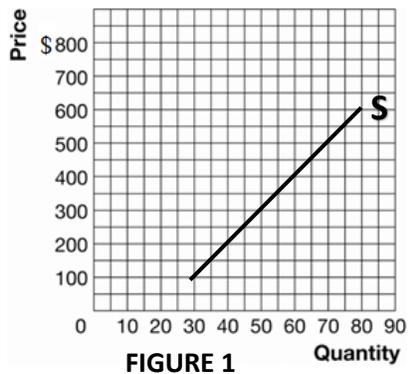


As you answer the following questions about Supply Curves, Demand Curves, etc. keep in mind the following example, and use it as a reference as needed.

Example: Suppose we have the following market supply and demand schedules for bicycles:

PRICE	Quantity Demanded	Quantity Supplied
\$100	70	30
\$200	60	40
\$300	50	50
\$400	40	60
\$500	30	70
\$600	20	80

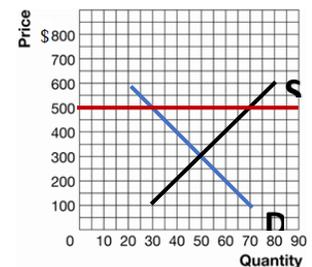
Note the **Supply Curve** in **Figure 1**, the **Demand Curve** in **Figure 2**, and **BOTH** in **Figure 3**



- Looking at Figure 3, you can see the **Equilibrium Price**. What does that mean?
- What IS the Equilibrium Price for bicycles?

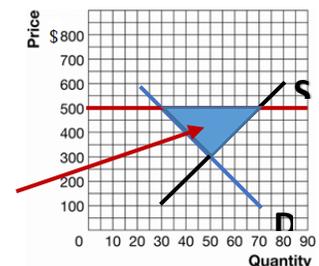
Suppose I choose to sell bicycles instead for \$500.

- What would be the Demand at that price? (*quantity*)
- What would be the Supply at that price? (*quantity*)
- What is the difference in quantity between those two?



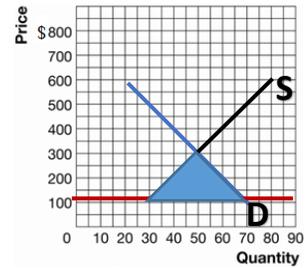
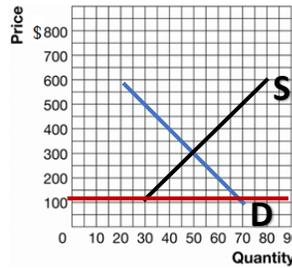
When there is a difference between quantity supplied and quantity Demanded, there is a **Surplus** or a **Shortage**.

- Is the arrow at the right pointing at a surplus or a shortage?
 - How can you tell?



Suppose I sold bicycles instead for \$100.

4. Now is there a surplus or a shortage?
5. How much of a surplus or shortage is there?



6. Now, did changing the price on bicycles change the actual supply or demand curve?
7. What IS “price” anyway?

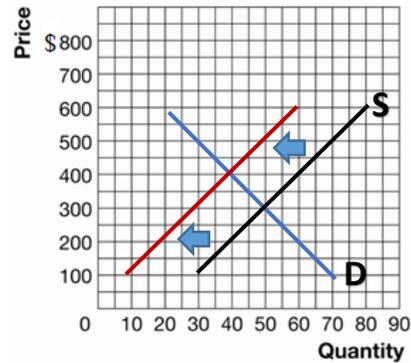


Thus, you see that changing the “price” doesn’t change the curves, it merely determines if there will be a surplus, a shortage, or an equilibrium. However, some things CAN change the entire curve.

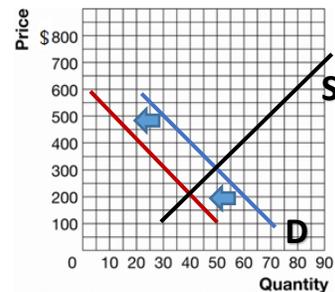
8. What are some things that could change the entire Supply Curve (remember, that’s the quantity that a Producer is willing to sell at any given price)?
9. What are some things that could change the entire Demand Curve (remember, that’s the quantity that Consumers are willing to buy at any given price)?
10. Does something affecting one curve necessarily change the other?

Let’s look at what it does to Equilibrium Price as well for the following example...

11. Say there is a **shortage** of aluminum for bike frames. Thus, the “cost” of making bicycles has gone up. What would be the effect on...
 - a. The Supply Curve?
 - b. The Demand Curve?
 - c. The Equilibrium Price?



12. Say a cool new scooter comes out, and consumers think it is an acceptable **substitute** for bicycles. What would be the effect on...
 - a. The Supply Curve?
 - b. The Demand Curve?
 - c. The Equilibrium Price?



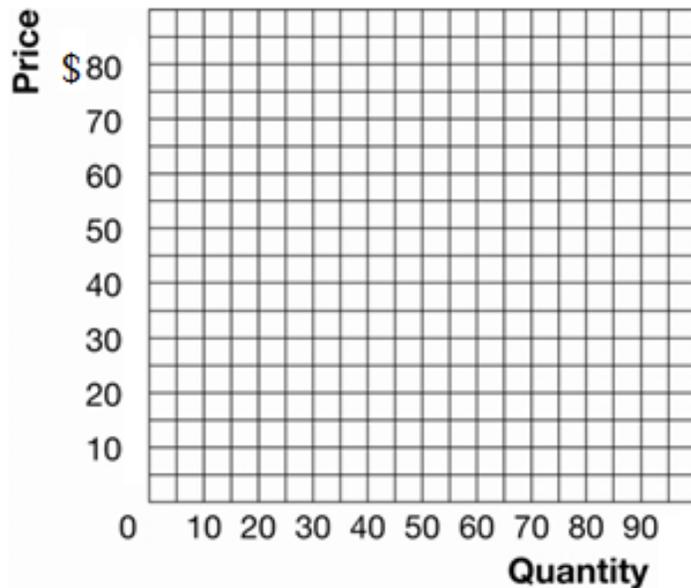
Ok, now you're going to graph you own product, and see what would happen...



Suppose we have the following Demand for Bibee Port-o-Potties™....

PRICE	Quantity Demanded	Quantity Supplied
\$10	70	20
\$20	60	30
\$30	50	40
\$40	40	50
\$50	30	60
\$60	20	70
\$70	10	80

13. Draw and Label the **Supply Curve** with an **S**
14. Draw and Label the **Demand Curve** with a **D**
15. Make a large circle or dot on the **Equilibrium Price**
 - a. What IS the Equilibrium Price?
16. Suppose there is a shortage in *Bibee Port-o-Potties*™. What could I do to the price to fix it?



17. If I DON'T want to change the price, what can I try to change?
18. How could I do THAT?



And that's the point. There are MORE options than just changing price.... Though that is the easiest in the short-term.

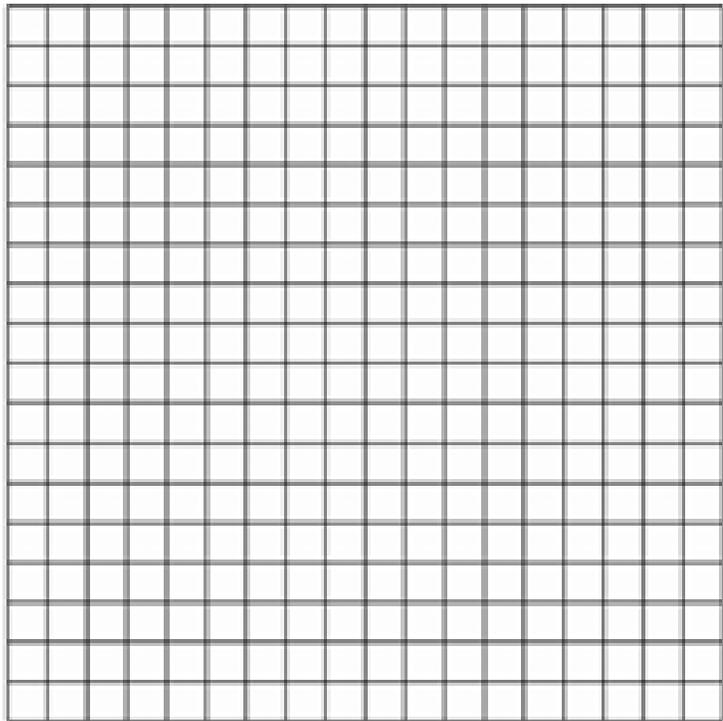
Now, on the last page, you will create your OWN imaginary product. YOU will be the Producer, and thus decide your supply curve. You will then find a Battle Buddy Cadet and **ask them** what they would be willing to pay for your product, to get information for your Demand Curve. THEN, mark your points, draw your curves, and come up with an Equilibrium Price.

20. What Product are you going to sell?

PRICE	Quantity Demanded	Quantity Supplied

21. What is your Equilibrium Price?

Price



22. At that price, what quantity would you sell?

Quantity

WHEN FINISHED, hold on to the assignment, and wait to discuss. Do not disrupt your fellow Cadets.

