

Problem Set 2.1

Graphing Supply and Demand

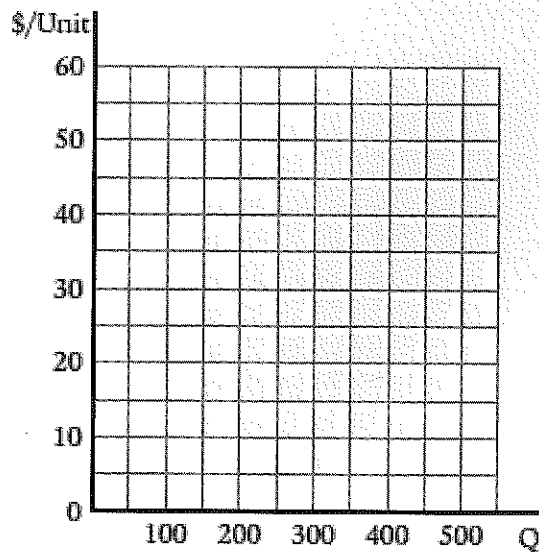
The supply and demand schedules for Econ Videos in Econville are as follows:

PRICE PER ECON VIDEO	QUANTITY OF ECON VIDEOS DEMANDED	QUANTITY OF ECON VIDEOS SUPPLIED	SHORTAGE OR SURPLUS
\$20.00	500	100	_____
\$30.00	400	200	_____
\$40.00	300	300	_____
\$50.00	200	400	_____
\$60.00	100	500	_____

1. Graph the demand for Econ Videos.
2. Graph the supply of Econ Videos in the graph to the right.

3. What is the equilibrium price of Econ Videos?

4. What is the equilibrium quantity of Econ Videos?



5. Fill in the Surplus or Shortage column.

6. What would result if the government of Econville set the price at \$25.00?

7. What happens to price when a shortage exists in a market?

8. What happens to price when a surplus exists in a market?

9. What happens to price when an equilibrium exists in a market?

10. Do you think equilibrium or disequilibrium prices are most common in the "real world"? Why?