

Veronica Diaz
chapter 4.

Score: 330 out of 330 points (100%)

Excellent

Question and Exercise 4-1 required information
Answer the following question.

Section Break

Question and Exercise 4-1 required information

1.

award:
10 out of
10.00
points
Award 10 points or adjust credit for all students.

Question and Exercise 4-1 part a
State the law of demand.

- ☐ Demand increases as price rises. Demand decreases as price falls.
- ☐ Quantity demanded rises as price rises, other things constant. Quantity demanded falls as price falls, other things constant.
- ☐ Demand increases as price falls. Demand decreases as price rises.
- ☒ Quantity demanded rises as price falls, other things constant. Quantity demanded falls as price rises, other things constant.

Comment:

Save Comment

eBook Links (2)

Multiple Choice

Learning Objective: 4-1

Section: Demand

Question and Exercise 4-1 part a

Learning Objective: 4-2

2.

award:
10 out of
10.00
points
Award 10 points or adjust credit for all students.

Question and Exercise 4-1 part b
Why is price inversely related to quantity demanded?

- ☒ Price is inversely related to quantity demanded because as price rises, consumers substitute other goods whose price has not risen.
- ☐ Price is directly related to quantity supplied because, as price rises, people and firms rearrange their activities to supply more of that good in order to take advantage of the higher price.
- ☐ Price is inversely related to quantity demanded because as price falls, consumers substitute other goods whose price has not risen.
- ☐ Price is inversely related to quantity demanded because as price rises, consumers substitute other goods whose price has risen.

Comment:

Save Comment

eBook Links (2)

Multiple Choice

Learning Objective: 4-1

Section: Demand

Question and Exercise 4-1 part b

Learning Objective: 4-2

Score: 330 out of 330 points (100%)

3.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.**Question and Exercise 4-3**

List four shift factors of demand and explain how each affects demand.

Instructions: Select all that apply.

- ☒ ☒ Change in consumer tastes. As the taste for a product rises, demand increases.
- ☒ ☐ The price of inputs rises. As the price of inputs rises, demand increases.
- ☒ ☒ Change in income. As income rises, demand increases.
- ☒ ☒ Change in taxes paid by consumers. As taxes rise, demand falls.
- ☒ ☒ A new production technology is invented. New production technologies increase consumer demand.
- ☒ ☒ The price of a related consumer good changes. As the price of a complement falls, demand increases.
- ☒ ☐ Producers expect prices of their products to rise in the future. As the prices producers expect to sell their products for increases, demand increases.

Comment:

Save Comment

[eBook Link](#)

Check All That Apply

Learning Objective: 4-3

Question and Exercise 4-3

Section: Demand

Score: 330 out of 330 points (100%)

Question and Exercise 4-5 required information
Answer the following question.

Section Break

Question and Exercise 4-5 required information

5.

award:
10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-5 part a
State the law of supply.

- ☐ Supply increases as price falls. Supply decreases as price rises.
- ☐ Quantity supplied rises as price falls, other things constant. Quantity supplied falls as price increases, other things constant.
- ☒ Quantity supplied rises as price increases, other things constant. Quantity supplied falls as price decreases, other things constant.
- ☐ Supply increases as price increases. Supply decreases as price decreases.

Comment:

Save Comment

[eBook Link](#)

Multiple Choice

Learning Objective: 4-4

Question and Exercise 4-5 part a

Section: Supply

6.

award:
10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-5 part b
Why is price directly related to quantity supplied?

- ☒ Price is directly related to quantity supplied because, as price rises, people and firms rearrange their activities to supply more of that good in order to take advantage of the higher price.
- ☐ Price is inversely related to quantity demanded because as price rises, consumers substitute other goods whose price has not risen.
- ☐ Price is directly related to quantity supplied because, as price rises, people and firms rearrange their activities to supply more of a substitute good in order to take advantage of the higher price.
- ☐ Price is directly related to quantity supplied because, as price falls, people and firms rearrange their activities to supply more of that good in order to take advantage of the lower price.

Comment:

Save Comment

[eBook Link](#)

Multiple Choice

Learning Objective: 4-4

Question and Exercise 4-5 part b

Section: Supply

Score: 330 out of 330 points (100%)

7.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.**Question and Exercise 4-6**

Mary has just stated that normally, as price rises, supply will increase. Her teacher grimaces. Why?

- ☐ Because as price rises, supply will decrease.
- ☐ Because as price rises, quantity demanded will increase.
- ☒ Because as price rises, quantity supplied will increase.
- ☐ Because as price rises, demand will decrease.

Saying that supply increases means that the curve has shifted to the right, which is not the result of a price change. The correct statement is that, normally, as price rises, the quantity supplied increases, other things constant.

Comment:

Save Comment

[eBook Link](#)

Multiple Choice

Learning Objective: 4-4

Question and Exercise 4-6

Section: Supply

Score: 330 out of 330 points (100%)

8.

award:
10 out of
10.00
pointsAward 10 points or adjust credit for all students.**Question and Exercise 4-7**

List four shift factors of supply and explain how each affects supply.

Instructions: Select all that apply.

- ☒ Change in taxes paid by producers. As the taxes producers pay increases, supply decreases.
- ☐ Change in consumer tastes. As the taste for a product rises, supply increases.
- ☒ A new production technology is invented. When new production technologies are introduced, supply increases.
- ☐ Reduction in taxes paid by consumers. As taxes rise, supply falls.
- ☒ Producers expect prices of their products to change in the future. As the prices producers expect to sell their products for increases, supply decreases.
- ☐ Income declines. As income rises, supply increases.
- ☒ The price of inputs changes. As the price of inputs rises, supply decreases.

Comment:

Save Comment

[eBook Link](#)

Check All That Apply

Learning Objective: 4-5

Question and Exercise 4-7

Section: Supply

9.

10 out of 10.00 points

10

10 points or adjust credit for all students.

Derive the market supply curve from the following two individual supply curves.



Comment:

Comments

Save Comment

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Graphing

Learning Objective: 4-5

Question and Exercise 4-8

Section: Supply

Derive the market supply curve from the following two individual supply curves.

3/4/2013

Score: 330 out of 330 points (100%)

10.

award:

10 out of

10.00

points

Award

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points or adjust credit for all students.

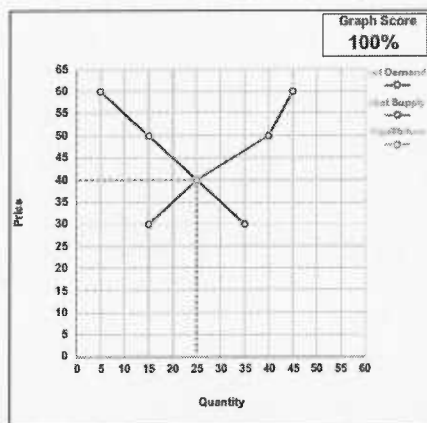
Question and Exercise 4-9

You're given the following demand and supply tables:

P	Demand		
	D_1	D_2	D_3
\$30	20	5	10
40	15	3	7
50	10	0	5
60	5	0	0

P	Supply		
	S_1	S_2	S_3
\$30	0	4	11
40	0	8	17
50	10	12	18
60	10	15	20

a. Draw the market demand and market supply curves.



b. What is excess supply/demand at price \$30? Price \$60?

At price \$30 excess demand is 20.At price \$60 excess supply is 40.

c. Label equilibrium price and quantity.

Instructions: On the graph above for Part c), click the plotter tool and drag the first point you want to plot onto the grid. Continue clicking and dragging the plotter tool until you have identified all of the necessary points for each of the market demand and supply curves. To remove a point from the graph, drag the point off an edge of the graph.

Comment:

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[eBook Link](#)

Graphing

Learning Objective: 4-6

Question and Exercise 4-9

Section: The Interaction of Supply and Demand

Question and Exercise 4-9

You're given the following demand and supply tables:

P	Demand		
	D ₁	D ₂	D ₃
\$30	20	5	10
40	15	3	7
50	10	0	5
60	5	0	0

P	Supply		
	S ₁	S ₂	S ₃
\$30	0	4	11
40	0	8	17
50	10	12	18
60	10	15	20

a. Draw the market demand and market supply curves.

b. What is excess supply/demand at price \$30? Price \$60?

At price \$30 excess demand is

At price \$60 excess supply is

c. Label equilibrium price and quantity.

Instructions: On the graph above for Part c), click the plotter tool and drag the first point you want to plot onto the grid. Continue clicking and dragging the plotter tool until you have identified all of the necessary points for each of the market demand and supply curves. To remove a point from the graph, drag the point off an edge of the graph.

Explanation:

b. At a price of \$30, quantity demanded is 35 and quantity supplied is 15. Excess demand is 20. At a price of \$60, quantity demanded is 5 and quantity supplied is 45. Excess supply is 40.

Score: 330 out of 330 points (100%)

11.

award:

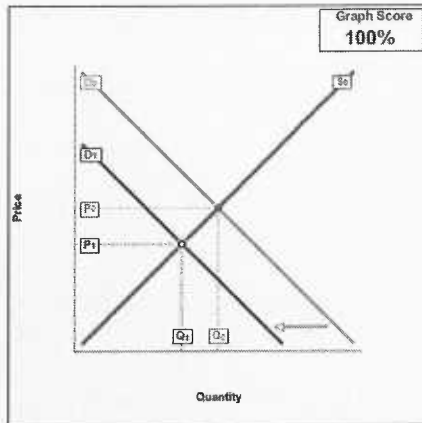
10 out of 10.00 points

Award

10

points or adjust credit for all students.**Question and Exercise 4-10**

It has just been reported that eating red meat is bad for your health. Using supply and demand curves, demonstrate the report's likely effect on the equilibrium price and quantity of steak sold in the market.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

The equilibrium price **falls**.

The equilibrium quantity **falls**.

Comment:

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Graphing

Learning Objective: 4-7

Question and Exercise 4-10

Section: The Interaction of Supply and Demand

Question and Exercise 4-10

It has just been reported that eating red meat is bad for your health. Using supply and demand curves, demonstrate the report's likely effect on the equilibrium price and quantity of steak sold in the market.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

The equilibrium price falls.

The equilibrium quantity falls.

Explanation:

Score 330 out of 330 points (100%)

12.

award:

10 out of
10.00
points

Award

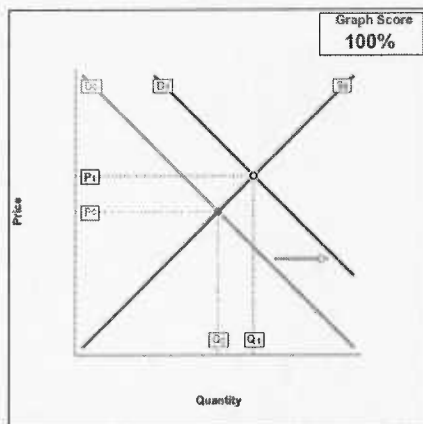
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points or adjust credit for all students.**Question and Exercise 4-11**

Why does the price of airline tickets rise during the summer months?

The demand for air travel shifts to the right, increasing price and quantity supplied. ✓

Demonstrate your answer graphically.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Comment:

Save Comment

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Graphing

Learning Objective: 4-7

Question and Exercise 4-11

Section: The Interaction of Supply and Demand

Question and Exercise 4-11

Why does the price of airline tickets rise during the summer months?

The demand for air travel shifts to the right, increasing price and quantity supplied.

Demonstrate your answer graphically.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Score: 330 out of 330 points (100%)

13.

award:

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points

Award

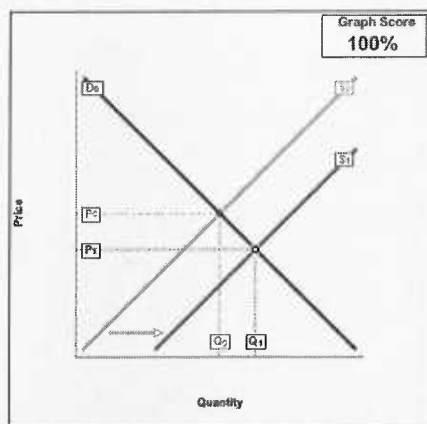
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points or adjust credit for all students.**Question and Exercise 4-12**

Why does sales volume rise during weeks when states suspend taxes on sales by retailers?

A reduction in taxes shifts the supply curve to the right.

Demonstrate your answer graphically.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Comment:

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Graphing

Learning Objective: 4-7

Question and Exercise 4-12

Section: The Interaction of Supply and Demand

Question and Exercise 4-12

Why does sales volume rise during weeks when states suspend taxes on sales by retailers?

A reduction in taxes shifts the supply curve to the right.

Demonstrate your answer graphically.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Explanation:

Sales volume increases (equilibrium quantity rises) when the government suspends the tax on sales by retailers because the price to demanders falls and hence equilibrium quantity demanded rises. This occurs because the supply curve shifts to the right because suppliers do not have to pay taxes on their sales (cost of production declines).

Score: 330 out of 330 points (100%)

14.

award:

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points

Award

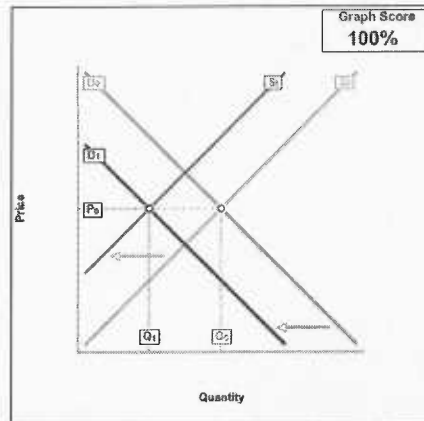
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points or [adjust credit](#) for all students.**Question and Exercise 4-13**

a) What is the expected impact of increased security measures imposed by the federal government on airlines on fares and volume of travel?

Airlines on fares uncertain and volume of travel decreases.

b) Demonstrate your answer graphically.



Instructions: On the graph above, click and drag one or both of the appropriate curves to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Comment

Save Comment

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Graphing

Learning Objective: 4-7

Question and Exercise 4-13

Section: The Interaction of Supply and Demand

Question and Exercise 4-13

a) What is the expected impact of increased security measures imposed by the federal government on airlines on fares and volume of travel?

Airlines on fares uncertain and volume of travel decreases.

b) Demonstrate your answer graphically.

Instructions: On the graph above, click and drag one or both of the appropriate curves to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Explanation:

Increased security measures imposed by government will increase the cost of providing air travel. This will shift the supply curve to the left. They also might reduce demand (the

Score: 330 out of 330 points (100%)

15.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.**Question and Exercise 4-14**

Explain what a sudden popularity of "Economics Professor" brand casual wear would likely do to prices of that brand.

- ☐ The increase in demand would lead to excess demand, which will lead to lower prices and higher quantity demanded.
- ☐ The increase in demand would lead to an increase in supply and increased quantity sold.
- ☐ The increase in demand would lead to excess quantity demanded, which will lead to lower prices and an increase in supply. The result is higher equilibrium quantity.
- ☒ The increase in demand would lead to excess demand, which will lead to higher prices. The net result is higher equilibrium price and quantity.

Comment:

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Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-14

Section: The Interaction of Supply and Demand

Score: 330 out of 330 points (100%)

16.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.**Question and Exercise 4-15**

In a flood, usable water supplies ironically tend to decline because the pumps and water lines are damaged. What will a flood likely do to prices of bottled water?

- ☒ The price of bottled water will increase because bottled water is a substitute for water from pumps and waterlines. Demand for bottled water would increase enormously, leading to upward pressure on prices.
- ☐ The price of bottled water will not be affected because people realize that bottled water will be in short supply.
- ☐ The price of bottled water will increase because bottled water is a complement to water from pumps and waterlines. Demand for bottled water would increase, leading to upward pressure on prices.
- ☐ The price of bottled water will decrease because bottled water is a substitute for water from pumps and waterlines. Demand for bottled water would increase enormously, leading to downward pressure on prices.

Comment:

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[eBook Link](#)

Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-15

Section: The Interaction of Supply and Demand

Score: 330 out of 330 points (100%)

17.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.**Question and Exercise 4-16**

The price of gas shot up significantly in 2008 to over \$4.00 a gallon. What effect did this likely have on the demand for diesel cars that get better mileage than the typical car?

- ☐ The quantity demanded of diesel cars will increase.
- ☒ The demand for diesel cars will increase.
- ☐ The demand for diesel cars will decrease.
- ☐ The quantity demanded of diesel cars will decrease.

Comment:

Save Comment

[eBook Link](#)

Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-16

Section: The Interaction of Supply and Demand

Score: 330 out of 330 points (100%)

18.

award:

10 out of 10.00 points

Award

10

points or [adjust credit](#) for all students.

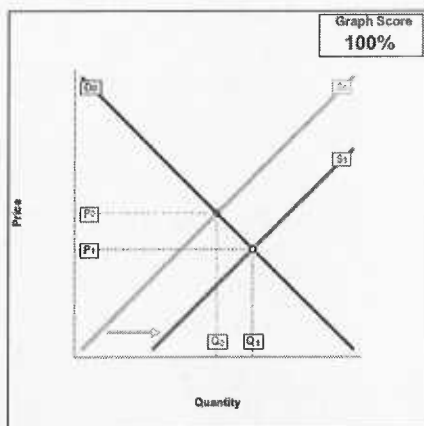
Question and Exercise 4-17

OPEC announces it will increase oil production by 20 percent.

a) What is the effect on the price of oil?

The effect on the price of oil **decreases**.

b) Demonstrate your answer graphically.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Comment:

Save Comment

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Graphing

Learning Objective: 4-7

Question and Exercise 4-17

Section: The Interaction of Supply and Demand

Question and Exercise 4-17

OPEC announces it will increase oil production by 20 percent.

a) What is the effect on the price of oil?

The effect on the price of oil decreases.

b) Demonstrate your answer graphically.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question. When you release your mouse button the curve should snap to a new position. If the curve returns to its original position try clicking and dragging the curve further in the desired direction before releasing the mouse button.

Score: 330 out of 330 points (100%)

Question and Exercise 4-18 required information

Draw hypothetical supply and demand curves for tea. Show how the equilibrium price and quantity will be affected by each of the following occurrences:

Section Break

Question and Exercise 4-18 required information

19.

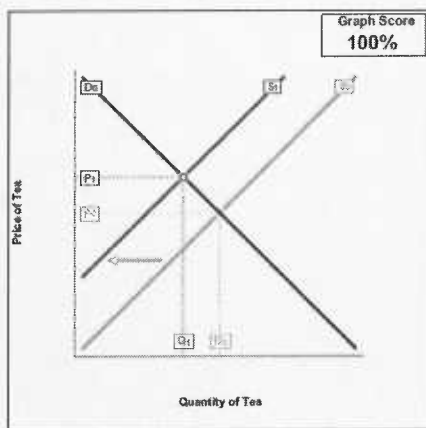
award:

10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-18 part a

a) Bad weather wreaks havoc on the tea crop.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Comment:

Save Comment

[eBook Link](#)

Graphing

Learning Objective: 4-7

Question and Exercise 4-18 part a

Section: The Interaction of Supply and Demand

Question and Exercise 4-18 part a

a) Bad weather wreaks havoc on the tea crop.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Explanation:

The bad weather causes a decrease in supply. This is shown by a shift in supply from S_0 to S_1 . Equilibrium price rises from P_0 to P_1 while equilibrium quantity falls from Q_0 to Q_1 .

20.

award:

10 out of 10.00 points

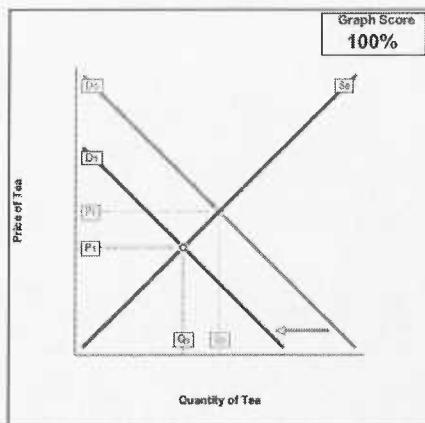
Award

10

points or adjust credit for all students.

Question and Exercise 4-18 part b

b) A medical report implying tea is bad for your health is published.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Comment:

Save Comment

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Graphing

Learning Objective: 4-7

Question and Exercise 4-18 part b

Section: The Interaction of Supply and Demand

Question and Exercise 4-18 part b

b) A medical report implying tea is bad for your health is published.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Explanation:

The medical report causes a decrease in demand. This is shown by a shift in demand from D_0 to D_1 . Equilibrium price falls from P_0 to P_2 and equilibrium quantity falls from Q_0 to Q_1 .

21.

award:

10 out of 10.00 points

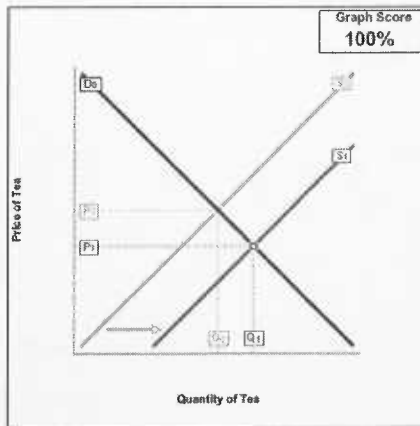
Award

10

points or adjust credit for all students.

Question and Exercise 4-18 part c

c) A technological innovation lowers the cost of producing tea.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Comment:

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Graphing

Learning Objective: 4-7

Question and Exercise 4-18 part c

Section: The Interaction of Supply and Demand

Question and Exercise 4-18 part c

c) A technological innovation lowers the cost of producing tea.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Explanation:

The innovation causes an increase in supply. This is shown as a shift in supply from S_0 to S_1 . Equilibrium price falls from P_1 to P_0 while equilibrium quantity rises from Q_1 to Q_0 .

22.

award:
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points

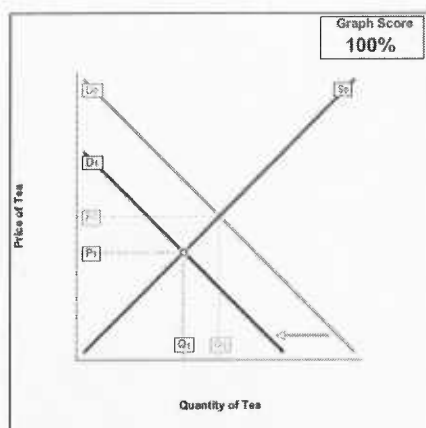
Award

10

points or [adjust credit](#) for all students.

Question and Exercise 4-18 part d

d) Consumers' income falls. (Assume tea is a normal good.)



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Comment:

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Graphing

Learning Objective: 4-7

Question and Exercise 4-18 part d

Section: The Interaction of Supply and Demand

Question and Exercise 4-18 part d

d) Consumers' income falls. (Assume tea is a normal good.)

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

Explanation:

The drop in income causes a decrease in demand. This is shown by a shift in demand from D_0 to D_1 . Equilibrium price falls from P_0 to P_2 and equilibrium quantity falls from Q_0 to Q_1 .

Score: 330 out of 330 points (100%)

Question and Exercise 4-20 required information

In the United States, say gasoline costs consumers about \$2.50 per gallon. In Italy, say it costs consumers about \$6 per gallon. What effect does this price differential likely have on

Section Break

Learning Objective: 4-7

Question and Exercise 4-20 required information

Section: The Interaction of Supply and Demand

23.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.

Question and Exercise 4-20 part a

a) The size of cars in the United States and in Italy?

- ☐ The cars in Italy are most likely the same as those in the United States.
- ☒ The cars in Italy are most likely much smaller than in the United States.
- ☐ The cars in Italy are most likely much bigger than in the United States.
- ☐ The size of the cars in the two countries cannot be compared.

The cars in Italy are most likely much smaller than in the United States. Italians would be likely to want to conserve gasoline and thus demand smaller cars that use less gasoline.

Comment:

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Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-20 part a

Section: The Interaction of Supply and Demand

24.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.

Question and Exercise 4-20 part b

b) The use of public transportation in the United States and in Italy?

- ☐ Italians likely use public transportation the same that Americans use it.
- ☐ Italians likely use public transportation less than Americans use it.
- ☐ Public transportation usage cannot be compared between the two countries.
- ☒ Italians likely use public transportation more than Americans use it.

Comment:

Save Comment

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Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-20 part b

Section: The Interaction of Supply and Demand

25.

award:

10 out of
10.00
points

Award

10

points or adjust credit for all students.

Question and Exercise 4-20 part c

c) The fuel efficiency of cars in the United States and in Italy?

- ☐ The cars in Italy are most likely less fuel efficient than in the United States.
- ☐ The cars in Italy most likely have the same fuel efficiency as those in the United States.
- ☒ The cars in Italy are most likely more fuel efficient than in the United States.
- ☐ The fuel efficiency of cars cannot be compared between the two countries.

Comment:

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Multiple Choice

Learning Objective: 4-7

Question and Exercise 4-20 part c

Section: The Interaction of Supply and Demand

26.

award:

10 out of
10.00
points[Award](#)

10

points or [adjust credit](#) for all students.

Question and Exercise 4-20 part d

d) What would be the effect of raising the price of gasoline in the United States to \$4 per gallon?

It will decrease ☒ the size of cars driven in the U.S., increase ☒ U.S. use of public transportation, and increase ☒ the fuel efficiency of cars purchased in the U.S.

Comment:

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Worksheet

Learning Objective: 4-7

Question and Exercise 4-20 part d

Section: The Interaction of Supply and Demand

Question and Exercise 4-20 part d

d) What would be the effect of raising the price of gasoline in the United States to \$4 per gallon?

It will decrease the size of cars driven in the U.S., increase U.S. use of public transportation, and increase the fuel efficiency of cars purchased in the U.S.

Explanation:

Score: 330 out of 330 points (100%)

27.

award:

10 out of
10.00
points

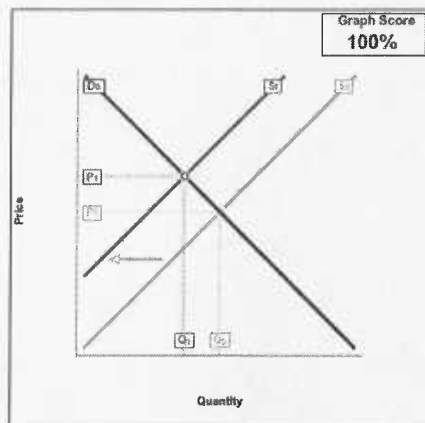
Award

10

points or adjust credit for all students.**Question and Exercise 4-21**

In 2004, Argentina imposed a 20 percent tax on natural gas exports.

a) Demonstrate the likely effect of that tax on gas exports using supply and demand curves.



Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

b) What did it likely do to the price of natural gas in Argentina?

The tax will likely reduce the price of natural gas in Argentina as more gas is diverted to the domestic market.

Comment:

Save Comment

[eBook Link](#)

Graphing

Learning Objective: 4-7

Question and Exercise 4-21

Section: The Interaction of Supply and Demand

Question and Exercise 4-21

In 2004, Argentina imposed a 20 percent tax on natural gas exports.

a) Demonstrate the likely effect of that tax on gas exports using supply and demand curves.

Instructions: On the graph above, click and drag the appropriate curve to a new position to answer this question.

b) What did it likely do to the price of natural gas in Argentina?

The tax will likely reduce the price of natural gas in Argentina as more gas is diverted to the domestic market.**Explanation:**

The tax shifts the supply curve to the left because it increases the cost of supplying the natural gas abroad. Equilibrium price rises while equilibrium quantity declines.

Score: 330 out of 330 points (100%)

28.

award:

10 out of
10.00
points

Award

10

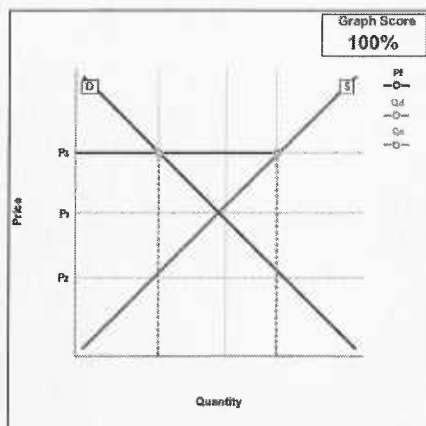
points or adjust credit for all students.**Question and Exercise 4-22**

In most developing countries, there are long lines of taxis at airports, and these taxis often wait two or three hours.

a) What does this tell you about the price in that market?

Price is above equilibrium. There is an excess supply.

b) Demonstrate with supply and demand analysis.



Instructions: On the above graph, click and drag the plotter tool Pf. This will place a horizontal straight line on the graph. Click and drag the line until the line is placed to the appropriate location. Click and drag the "Qd" to the appropriate location on the graph. Repeat the same process for the "Qs". To remove the line from the graph, drag the line off an edge of the graph.

Comment:

Save Comment

[eBook Link](#)

Graphing

Learning Objective: 4-7

Question and Exercise 4-22

Section: The Interaction of Supply and Demand

Question and Exercise 4-22

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Explanation:

Score: 330 out of 330 points (100%)

29.

award:

10 out of
10.00
points

Award

10

points or [adjust credit](#) for all students.**Question and Exercise 4-23**

Define the fallacy of composition. How does it affect the supply/demand model?

- ☐ The fallacy of composition is the false assumption that what is true for a whole is also true for the part. It affects the supply/demand model by drawing our attention to the possibility that supply and demand are interdependent. Feedback effects must be taken into account to make the analysis complete.
- ☐ The fallacy of composition is the false assumption that the whole is made up of unrelated parts. It affects the supply/demand model by drawing our attention to the possibility that supply and demand are interdependent. Feedback effects must be taken into account to make the analysis complete.
- ☐ The fallacy of composition is the false assumption that what is false about the parts is also false about the whole. It affects the supply/demand model by drawing our attention to the possibility that supply and demand are interdependent. Feedback effects must be taken into account to make the analysis complete.
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Comment:

Save Comment

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Multiple Choice

Learning Objective: 4-8

Question and Exercise 4-23

Section: The Limitations of Supply/Demand Analysis

Score: 330 out of 330 points (100%)

Question and Exercise 4-25 required information

State whether supply/demand analysis used without significant modification is suitable to assess the following:

Section Break

Question and Exercise 4-25 required information

30.

award:
10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-25 part a

a) The impact of an increase in the demand for pencils on the price of pencils.

- ☒ Yes
☐ No

Because the market for pencils is relatively small, supply/demand analysis would be appropriate without modification. Also, there are no significant political or social forces that would affect the analysis.

Comment:

Save Comment

[eBook Link](#)

Yes / No

Learning Objective: 4-8

Question and Exercise 4-25 part a

Section: The Limitations of Supply/Demand Analysis

31.

award:
10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-25 part b

b) The impact of an increase in the supply of labor on the quantity of labor demanded.

- ☐ Yes
☒ No

Because the labor market is very large, supply/demand analysis would not be appropriate without modification. For example, an increase in labor supply will likely lead to greater income and greater demand for goods, which will lead to an increase in quantity of goods produced and therefore an increase in the demand for labor. In this case there are significant feedback effects.

Comment:

Save Comment

[eBook Link](#)

Yes / No

Learning Objective: 4-8

Question and Exercise 4-25 part b

Section: The Limitations of Supply/Demand Analysis

32.

award:
10 out of
10.00
points

Award 10 points or adjust credit for all students.

Question and Exercise 4-25 part c

c) The impact of an increase in aggregate savings on aggregate expenditures.

- ☐ Yes
☒ No

Aggregate markets such as savings and expenditures include feedback effects, so supply/demand analysis would not be appropriate without modification.

Comment:

Save Comment

[eBook Link](#)

Yes / No

Learning Objective: 4-8

Question and Exercise 4-25 part c

Section: The Limitations of Supply/Demand Analysis

33. award.
10 out of 10.00 points
Award 10 points or adjust credit for all students.

Question and Exercise 4-25 part d

d) The impact of a new method of producing CDs on the price of CDs.

- ☒ Yes
☐ No

The CD market is relatively small. Supply/demand analysis would be appropriate without modification.

Comment:

Save Comment

[eBook Link](#)

Yes / No

Learning Objective: 4-8

Question and Exercise 4-25 part d

Section: The Limitations of Supply/Demand Analysis