

Demand and Supply – Day 4 Questions

Honors Econ 202/Haworth

The questions below are provided to test your understanding of this day's material.

*To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says **Demand and Supply-Day 4** and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 4 Daily Question assignment is Friday, February 3, at 9:00pm.*

Question 1 draws from the following information. Let's assume we are using the demand and supply model to analyze the decisions of demanders and suppliers within the Louisville market for apples. Assume further that the demand and supply model graph we use with this analysis has the price of apples on one axis and the quantity of apples sold on the other axis. Although demand-related variables like income obviously affect how many apples consumers buy, these demand-related variables do not appear on either axis of the graph. Note the following statements:

- i. the price of apples is an endogenous variable
- ii. the quantity of apples sold is an endogenous variable
- iii. demand-related variables like income are endogenous variables
- iv. changes in the price of apples will shift a curve on this graph
- v. changes in the quantity of bananas produced will shift a curve on this graph
- vi. changes in demand-related variables like income will shift a curve on this graph

1. Which of the statements above is a correct statement about the economic model of the market for apples:

- a. answers i, ii and iii are correct
- b. answers i, ii and vi are correct
- c. answers iv, v and vi are correct
- d. answers iv, v and iii are correct
- e. answers i, ii, iv, v and vi are correct

2. Which statement below is a correct statement about what the Law of Demand tells us:

- a. changes in the demand curve shift variables lead to changes in the demand curve
- b. demanders will choose a consumption level which maximizes their own net benefit
- c. the demand curve illustrates a negative relationship between price and quantity demanded
- d. the demand curve illustrates a positive relationship between price and quantity demanded

3. Which statement below is a correct statement about what the Law of Supply tells us:
- a. changes in the supply curve shift variables lead to changes in the supply curve
 - b. suppliers will choose an output level which maximizes profit
 - c. the supply curve illustrates a negative relationship between price and quantity supplied
 - d. the supply curve illustrates a positive relationship between price and quantity supplied
4. If we have a market for soft drinks in Louisville, then which of the following is a shift variable for the demand curve:
- a. changes in the cost of producing soft drinks
 - b. changes in productivity
 - c. changes in future profits
 - d. changes in taxes on suppliers of soft drinks
 - e. changes in the future price of soft drinks
 - f. none of the above are shift variables for the demand curve