## Critical Thinking Questions

36.

Review [Figure 3.4](http://openstax.org/books/principles-microeconomics-3e/pages/3-1-demand-supply-and-equilibrium-in-markets-for-goods-and-services#CNX_Econ_C03_003). Suppose the government decided that, since gasoline is a necessity, its price should be legally capped at $1.30 per gallon. What do you anticipate would be the outcome in the gasoline market?

37.

Explain why the following statement is false: “In the goods market, no buyer would be willing to pay more than the equilibrium price.”

38.

Explain why the following statement is false: “In the goods market, no seller would be willing to sell for less than the equilibrium price.”

39.

Consider the demand for hamburgers. If the price of a substitute good (for example, hot dogs) increases and the price of a complement good (for example, hamburger buns) increases, can you tell for sure what will happen to the demand for hamburgers? Why or why not? Illustrate your answer with a graph.

40.

How do you suppose the demographics of an aging population of “Baby Boomers” in the United States will affect the demand for milk? Justify your answer.

41.

We know that a change in the price of a product causes a movement along the demand curve. Suppose consumers believe that prices will be rising in the future. How will that affect demand for the product in the present? Can you show this graphically?

42.

Suppose there is a soda tax to curb obesity. What should a reduction in the soda tax do to the supply of sodas and to the equilibrium price and quantity? Can you show this graphically? *Hint*: Assume that the soda tax is collected from the sellers.

43.

Use the four-step process to analyze the impact of the advent of the iPod (or other portable digital music players) on the equilibrium price and quantity of the Sony Walkman (or other portable audio cassette players).

44.

Use the four-step process to analyze the impact of a reduction in tariffs on imports of iPods on the equilibrium price and quantity of Sony Walkman-type products.

45.

Suppose both of these events took place at the same time. Combine your analyses of the impacts of the iPod and the tariff reduction to determine the likely impact on the equilibrium price and quantity of Sony Walkman-type products. Show your answer graphically.

46.

Most government policy decisions have winners and losers. What are the effects of raising the minimum wage? It is more complex than simply producers lose and workers gain. Who are the winners and who are the losers, and what exactly do they win and lose? To what extent does the policy change achieve its goals?

47.

Agricultural price supports result in governments holding large inventories of agricultural products. Why do you think the government cannot simply give the products away to people experiencing poverty?

48.

Can you propose a policy that would induce the market to supply more rental housing units?

49.

What term would an economist use to describe what happens when a shopper gets a “good deal” on a product?

50.

Explain why voluntary transactions improve social welfare.

51.

Why would a free market never operate at a quantity greater than the equilibrium quantity? *Hint:* What would be required for a transaction to occur at that quantity?