

**5.6** Housing policy analysts debate the best way to increase the number of housing units available to low-income households. One strategy—the demand-side strategy—is to provide people with housing vouchers, paid for by the government, that can be used to rent housing supplied by the private market. Another—a supply-side strategy—is to have the government subsidize housing suppliers or to build public housing.

- Illustrate these supply- and demand-side strategies using supply and demand curves. Which results in higher rents?
- Critics of housing vouchers (the demand-side strategy) argue that because the supply of housing to low-income households is limited and does not respond to higher rents, demand vouchers will serve only to drive up rents and make landlords better off. Illustrate their point with supply and demand curves.

**\*5.7** Suppose the market demand for pizza is given by  $Q_d = 300 - 20P$  and the market supply for pizza is given by  $Q_s = 20P - 100$ , where  $P$  = price (per pizza).

- Graph the supply and demand schedules for pizza using \$5 through \$15 as the value of  $P$ .
- In equilibrium, how many pizzas would be sold and at what price?
- What would happen if suppliers set the price of pizza at \$15? Explain the market adjustment process.
- Suppose the price of hamburgers, a substitute for pizza, doubles. This leads to a doubling of the demand for pizza. (At each price, consumers demand twice as much pizza as before.) Write the equation for the new market demand for pizza.
- Find the new equilibrium price and quantity of pizza.

**5.8 [Related to the Economics in Practice on p. 67]** The growing popularity of quinoa has had an impact on the market for brown rice. With its higher fiber, protein, and

iron content, quinoa is replacing brown rice as a staple food for many health-conscious individuals. Draw a supply and demand graph that shows how this increase in demand for quinoa has affected the market for brown rice. Describe what has happened to the equilibrium price and quantity of brown rice. What could brown rice producers do to return the price or quantity to the initial equilibrium price or quantity? Briefly explain if it is possible for brown rice producers to return both the price and quantity to the initial equilibriums without a change in consumer behavior.

**5.9** The following table represents the market for solar wireless keyboards. Plot this data on a supply and demand graph and identify the equilibrium price and quantity. Explain what would happen if the market price is set at \$60, and show this on the graph. Explain what would happen if the market price is set at \$30, and show this on the graph.

Price	Quantity Demanded	Quantity Supplied
\$ 10.00	28	0
20.00	24	3
30.00	20	6
40.00	16	9
50.00	12	12
60.00	8	15
70.00	4	18

**5.10 [Related to the Economics in Practice on p. 68]** Analyst 1 suggested that the demand curve for newspapers in Baltimore might have shifted to the right because people were becoming more literate. Think of two other plausible stories that would result in this demand curve shifting to the right.

\*Note: Problems with an asterisk are more challenging.

## CRITICAL THINKING QUESTIONS

**QUESTION 1** This summer, it was difficult to find peaches in Florida grocery stores. What does this indicate about the market for peaches and the current price of a peach?

**QUESTION 2** Over the past decade, the price of beef has risen, and consumers have purchased less beef. Analysts have offered various explanations for these trends. Analyst 1, for example, claims that this is due to consumers' preference for healthier eating. Analyst 2 claims, instead, that this is due to increasing costs of raising cattle. Is one of these assertions more sensible than the other?