1. Explain the law of demand, why does a demand curve slope downward? How is a market curve slope downward? How is a market curve derived from individual demand curves?

The demand curve is based on a total expenditure, the more product purchased the less overall fund remaining the demand declines. The price of the product changes demand.

2. What are the determinants of Demand? What happens to the demand curve when any of these determinants change? Distinguish between a change in demand and a movement of a fixed demand curve, noting the cause of each?

Demand determinants are based on the slope of Delta[Price]/Delta[Qty] value. Qty and price changes can change the slope of the determinant in each way, creating a ratio that can be multiplied by a quantity to determine the determinant. Price and Qty are the parameters.

3. What effect will each have on the following for small automobiles such as the mini-cooper, and the smart car?

a. “Small Automobiles become more fashionable.” Advertising and asian immigrants will increase the sales of the small automobiles.

b. “The price of small automobiles rises (with the price of small autos remaining the same)”:, it would only rise if the sales increase at a great amount.

c. “Income declines and small autos are an inferior good.” They are good for younger drivers.

d. “Consumers anticipate that the price of small autos will come down in the near future.”

The price would only reduce if the sales were lagging from higher incomes.

e. “The price of gasoline substantially drops.”, this would make people get into larger vehicles, just because they fit into the budgets.

4. Explain the law of supply. What happens when the supply curve slopes upward? How is the market supply curve derived from the supply of individual products.

As price rises, the quantity supplied rises; as price falls, the quantity supplied falls. This relationship is called the law of supply. A supply schedule tells us that, other things equal, firms will produce and offer for sale more of their product at a high price than at a low price. This again is basically common sense.

5. What are the determinants of supply? What happens to the supply curve when any of the determinants changes? Distinguish between a change in supply and a change in the quantity supplied, noting the cause(s) of each.

The determinants of supply are the price per bushel and the quantity supplied. As the amount of supply (or price per bushel changes), then people continue to increase the supply of the price of the product as the quantity supplied over a time period increase.

6. What effect will each of the following have on the supply of auto tires?

a.”A technological advance in the methods of producing tires.” (This should have a variation of the price up or downward for the value).

b. “A decline in the number of firms in the tire industry.”: This would increase the price from reduced competition.

c. “An increase in the prices of rubber used in the production of tires.”: This would increase the price of the tires.

d. “The expectation that the equilibrium price of auto tires will be lower in the future than currently”. This is not possible to tell

e. “A decline in the price of the large tires used for semi-trucks and earth-hauling rigs”. (with no change in the price of auto tires).

f. “The levying of a per-unit tax on each auto tire sold.” This would raise the price.

g. “The granting of a 50-cent-per-unit subsidy for each auto tire produced.” This would lower the price of the tire for the consumer and increase the cost to the state.

7. “In the corn market, demand often exceeds supply and supply sometimes exceed demand.”

“The price of corn rises and falls in response to changes in supply and demand.” In which of these two statements are the terms “supply” and “demand” used correctly? Explain.

In the second case the terms are used correctly because the supply demand relationship into quantity over time is correlated.

8. In 2001 an outbreak of hoof-and-mouth disease in Europe led to the burning of millions of cattle carcasses. What impact do you think this had on the supply of cattle hides, the supply of leather goods, and the price of leather goods?

It raised the price on all hides, lowered the supply, and the price of leather goods?

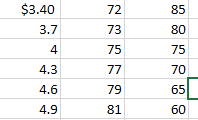
9. Critically evaluate: “In comparing the two equilibrium position in Figure 3.7b, I note that a smaller amount is actually demanded at a lower price. This refuted the law law of demand.”

This: This is because the supply graph was graphed backwards from Q to O and P to O:

**10. For each stock in the stock market, the number of shares sold daily Equal the number of shares purchased. That is, the quantity of each firm’s shares demanded equal the quantity supplies. So, if this equality always occurs, why do the prices of stock shares ever change?**

The shares have a variation price that is not set by supply and demand, this is even if the total exchange is zero, the market response to fast sales and buys and changes their stock prices to buy and sell arbitrarily depending on demand.

**11. Suppose the total demand for wheat and the total supply of wheat per month in the Kansas City grain market are as shown in the table below. Suppose that the government establishes a price ceiling of $3.70 for wheat. What might prompt the government to establish this price ceiling? Explain carefully the main effects. Demonstrate your answer graphically. Next, suppose that the government establishes a price floor of $4.60 for wheat. What will be the main effects of this price floor? Demonstrate your answer graphically.** The government establishing a price ceiling on wheat would keep it’s food prices in check. The price ceiling is to get the food prices in control for poor people, to lower starvation and poverty from excessive supply. The price ceiling on grain is to prevent in a high demand economy from price gouging the poor, because food is more useful than just profit.





12. **What do economists mean when they say “price floors and ceilings stifle the rationing function of prices and distort resource allocation”?** Because the min max on the prices prevent market corrections, and they change resource allocation unnaturally from rich to the poor, however when it comes to food it is necessary.

**13. In some countries, such as France, every corpse is available for doctors to “harvest” for organs unless the deceased, while still alive, sign a form forbidding the organs to be harvested. In the USA, it is the opposite: No harvesting is allowed unless the deceased had signed, while still alive, an organ donor form authorizing doctor to harvest any needed organs. Use supply and demand figure to show in which country organ shortages are likely to be less severe.**

**On this data table** [**http://abcnews.go.com/Health/organ-donation-rates-us-stacks/story?id=19437070#5**](http://abcnews.go.com/Health/organ-donation-rates-us-stacks/story?id=19437070#5)

**The comparison on data is USA 26, and France 25 (donors per million).**

**I cannot give exact reasons for this data, it’s difficult to graph.**