CH-310-A Microeconomics - Theory and Policy

Chapter 3 of Krugman and Wells

The market for soft drinks

The U.S. Department of Agriculture reported that in 1997 each person in the United States consumed an average of 41 gallons of soft drinks (nondiet) at an average price of $2 per gallon. Assume that, at a price of $1.50 per gallon, each individual consumer would demand 50 gallons of soft drinks. The U.S. population in 1997 was 267 million. From this information about the individual demand schedule, calculate the market demand schedule for soft drinks for the prices of $1.50 and $2 per gallon.

Demand curve

Which of the following factors cause a movement along the demand curve?

(a) change in the prices of related goods

(b) change in the price of the good

(c) change in the population

(d) both a change in the price of the good and a change in the population

Substitutes

If goods A and B are substitutes, a decrease in the price of good B will

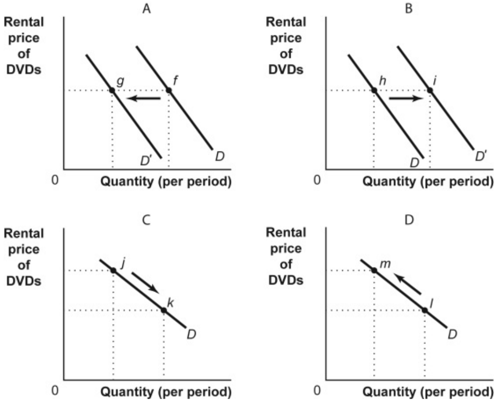
(a) increase the demand for good A.

(b) increase the demand for good B.

(c) decrease the demand for good A.

(d) increase the demand for good B and decrease the demand for good A.

Complements



A decrease in the price of DVD players (a complement) would result in a change illustrated by: (a) the move from f to g in panel A; (b) the move from h to i in panel B; (c) the move from j to k in panel C; (d) the move from l to m in panel D.

Demand and supply shifts

Consider the market for corn. What happens if there is an increased demand for corn tortillas and, at the same time, a new corn seed becomes available that increased the per-acre yield dramatically?

(a) Price and quantity decrease.

(b) The change in price is indeterminate, quantity decreases.

(c) The change in price is indeterminate, quantity increases.

(d) Price increases, the change in quantity is indeterminate.