

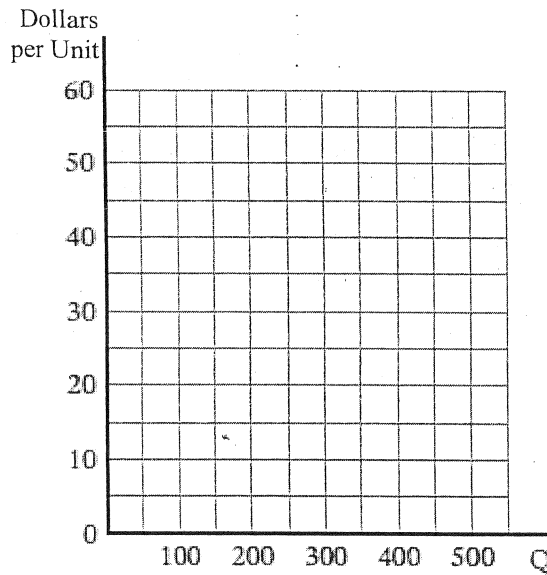
Problem Set 2.1

Graphing Supply and Demand

The supply and demand schedules for Econ Videos in Econville are as follows:

PRICE PER ECON VIDEO	QUANTITY OF ECON VIDEOS DEMANDED	QUANTITY OF ECON VIDEOS SUPPLIED	SHORTAGE OR SURPLUS
\$20.00	500	100	_____
\$30.00	400	200	_____
\$40.00	300	300	_____
\$50.00	200	400	_____
\$60.00	100	500	_____

- Graph the demand for Econ Videos.
- Graph the supply of Econ Videos in the graph to the right.
- What is the equilibrium price of Econ Videos?
- What is the equilibrium quantity of Econ Videos?



- Fill in the Surplus or Shortage column.
- What would result if the government of Econville set the price at \$25.00?
- What happens to price when a shortage exists in a market?

8. What happens to price when a surplus exists in a market?

9. What happens to price when an equilibrium exists in a market?

10. Do you think equilibrium or disequilibrium prices are most common in the “real world”? Why?