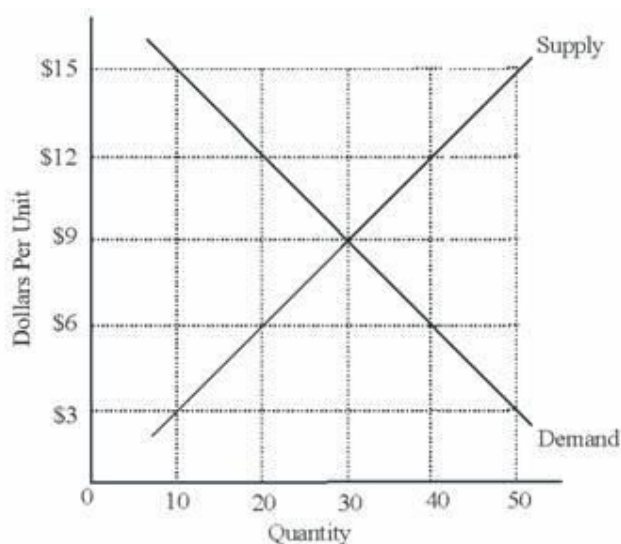


# Week 1 Recitation

## Practice Problems

In the first lecture, we talked about the fact that microeconomics and macroeconomics are not separate subjects, but complementary perspectives (OpenStax, Chapter 1). In the second lecture, we saw how individual decision affect the whole, and why it is important to identify and differentiate the demand side and supply side of the GDP (OpenStax, Chapter 6). So, in this recitation, we are going to work on exercises to review supply and demand models.

1. The graph below shows the market for pizzas in Fort Collins. Why does the demand curve slope down? Why does the supply curve slope up? Based on the figure, what is the equilibrium price and quantity (in thousands) for pizza?



2. If the price of a pizza was \$12, what would happen in this market?
3. If the price of a pizza was \$3, what would happen in this market?

4. Supply and demand can also be expressed in a table instead of a graph. Moreover, it is important to know that **market** supply and demand is simply the sum of **individuals'** supply and demand. Use the data below on the supply/demand of fast-food meals to answer the following questions:

(a) What is the equilibrium price and quantity for fast-food meals in this market?

Price	Quantity Demanded			<b>Market</b>	Quantity Supplied			<b>Market</b>
	Alejandro	Chen	Karl		Marco	Janae	Katie	
\$10	8	4	2		60	4	6	
\$8	12	4	4		42	4	4	
\$6	20	4	6		24	4	2	
\$4	22	4	6		6	4	0	
\$2	23	5	8		3	4	0	

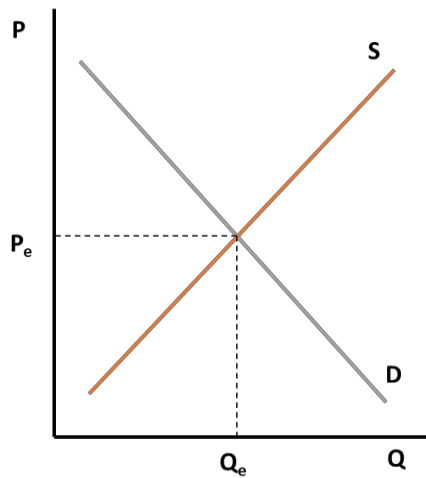
(b) If the price of a fast-food meal was \$2, what would happen in this market?

(c) If the price of a fast-food meal was \$8, what would happen in this market?

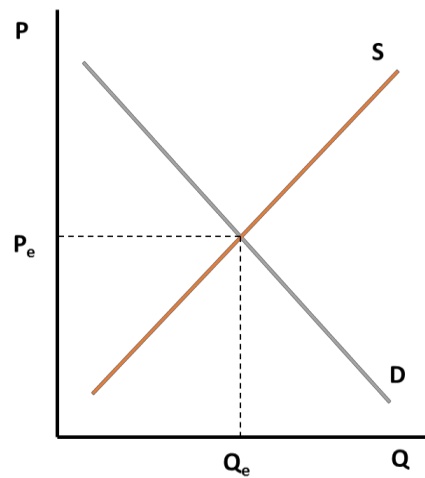
5. Determine the effect of changes in supply or demand on equilibrium price and quantity when there is a change in supply and/or demand.

Example	Market	Impacts Supply or Demand?	Shift Factor	Demand/Supply Increase or decrease?	Equilibrium Price $\uparrow$ or $\downarrow$ ?	Equilibrium Quantity $\uparrow$ or $\downarrow$ ?
1. In a press conference, Cristiano Ronaldo refuses to drink soda and incentivizes people to buy water	Water					
2. The expiration of drug patents increases the number of generic drugs available to consumers	Generic drugs					
3. A drought in California increases the cost of water utilized in citrus crops	Citrus					
4. Apple starts selling iPhone chargers separately at unreasonably high prices	iPhone					

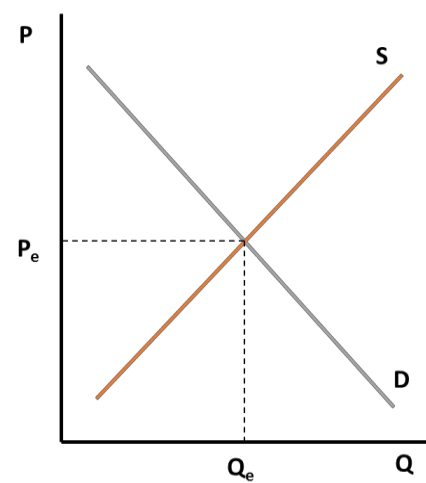
1.



2.



3.



4.

